

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2015

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-11373



**Cardinal Health, Inc.**

*(Exact name of registrant as specified in its charter)*

**Ohio**

*(State or other jurisdiction of  
incorporation or organization)*

**7000 Cardinal Place, Dublin, Ohio**  
*(Address of principal executive offices)*

**31-0958666**

*(IRS Employer  
Identification No.)*

**43017**  
*(Zip Code)*

**(614) 757-5000**

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of the registrant's common shares, without par value, outstanding as of January 27, 2016, was the following: 329,328,935.

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### Forward-Looking Statements

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This Form 10-Q (including information incorporated by reference) includes "forward-looking statements" addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A"), but there are others in the document, which may be identified by the words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results, trends or guidance, statements of outlook and expense accruals. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. The most significant of these risks, uncertainties and other factors are described in Exhibit 99.1 to this Form 10-Q and in "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (our "2015 Form 10-K"). Forward-looking statements in this document speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

### About Cardinal Health

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Cardinal Health, Inc. is an Ohio corporation formed in 1979. As used in this report, "we," "our," "us," and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. We are a healthcare services and products company that improves the cost-effectiveness of health care. We help pharmacies, hospitals, and other healthcare providers focus on patient care while reducing costs, enhancing efficiency, and improving quality. We also provide medical products to patients in the home. We manage our business and report our financial results in two segments: Pharmaceutical and Medical.

### Non-GAAP Financial Measures

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We use "non-GAAP financial measures" in the "Overview of Consolidated Results" section of MD&A. These measures are derived from our condensed consolidated financial data but are not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the "Explanation and Reconciliation of Non-GAAP Financial Measures" section following MD&A. The remaining sections of MD&A refer to GAAP measures only.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations between the periods specified in our condensed consolidated balance sheets at December 31, 2015 and June 30, 2015, and in our condensed consolidated statements of earnings for the three and six months ended December 31, 2015 and 2014. All comparisons presented are with respect to the prior-year period, unless stated otherwise. This discussion and analysis should be read in conjunction with MD&A included in our 2015 Form 10-K.

## Significant Developments

### Cordis

On October 2, 2015, we completed the acquisition of the Cordis business ("Cordis") from Ethicon, Inc., a wholly-owned subsidiary of Johnson and Johnson, for \$1.9 billion using cash on hand and proceeds from our debt offering in June 2015. The acquisition of Cordis, a global manufacturer and distributor of interventional cardiology devices and endovascular solutions with operations in more than 50 countries, expands our Medical segment's portfolio of self-manufactured products and its geographic scope.

### naviHealth

On August 26, 2015, we acquired a 71 percent ownership interest in naviHealth Group Holdings, L.P. ("naviHealth") for \$238 million, net of cash acquired of \$53 million. We funded the acquisition with cash on hand. The acquisition of naviHealth, a leader in post-acute care management solutions, expands our ability to serve health plans, health systems, and providers. We consolidate the results of naviHealth in our condensed consolidated financial statements and report its results in our Medical segment. The portion of naviHealth net earnings attributable to third-party interest holders is reported as a reduction to net earnings in the condensed consolidated statements of earnings.

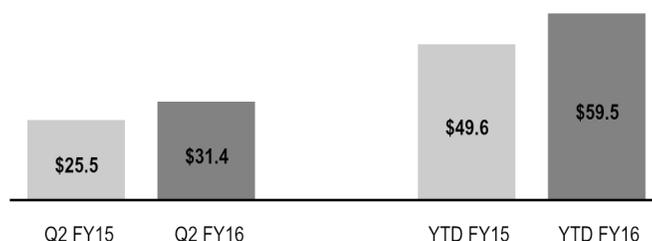
### Harvard Drug

On July 2, 2015, we completed the acquisition of The Harvard Drug Group ("Harvard Drug") for \$1.1 billion using cash on hand and proceeds from our debt offering in June 2015. The acquisition of Harvard Drug, a distributor of generic pharmaceuticals, over-the-counter healthcare and related products to retail, institutional, and alternate care customers, enhances our Pharmaceutical segment's generic pharmaceutical distribution and related services businesses. Harvard Drug also manufactures and repackages generic pharmaceuticals and over-the-counter healthcare products.

Refer to Note 2 of the "Notes to Condensed Consolidated Financial Statements" for additional information on acquisitions.

## Overview of Consolidated Results

### Revenue (in billions)



Revenue for the three and six months ended December 31, 2015 was \$31.4 billion and \$59.5 billion, respectively, a 23 percent and 20 percent increase from the prior-year periods due primarily to sales growth from existing and new pharmaceutical distribution customers and from acquisitions.

### GAAP and Non-GAAP Operating Earnings

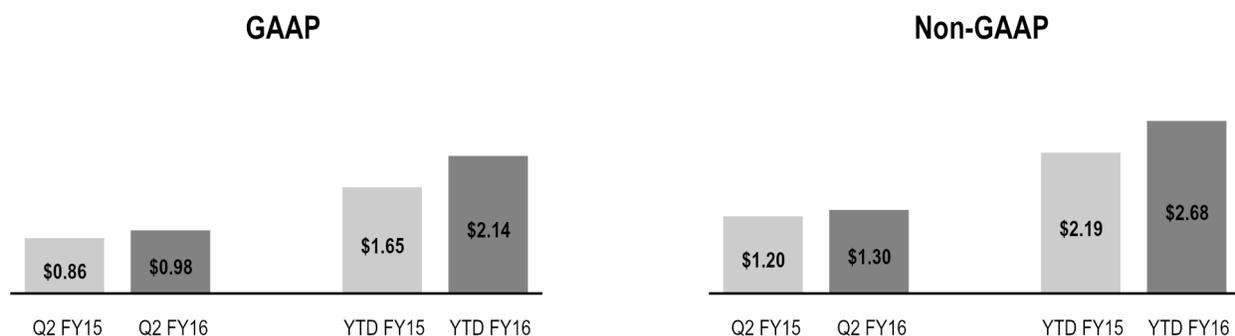


#### GAAP and Non-GAAP Operating Earnings

(in millions)	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
<b>GAAP</b>	\$ 563	\$ 546	3%	\$ 1,183	\$ 1,012	17%
LIFO charges/(credits)	39	—		39	—	
Restructuring and employee severance	2	7		14	26	
Amortization and other acquisition-related costs	114	60		219	112	
Impairments and (gain)/loss on disposal of assets	17	(18)		17	(18)	
Litigation (recoveries)/charges, net	(9)	44		(9)	72	
<b>Non-GAAP</b>	\$ 726	\$ 639	14%	\$ 1,463	\$ 1,204	22%

During the three and six months ended December 31, 2015, GAAP operating earnings increased 3 percent to \$563 million and 17 percent to \$1.2 billion, respectively. Non-GAAP operating earnings increased 14 percent to \$726 million and 22 percent to \$1.46 billion for the three and six months ended December 31, 2015, respectively. The increases in both GAAP and non-GAAP operating earnings were due to sales growth from existing and new pharmaceutical distribution customers, performance under our Pharmaceutical segment generics program, and acquisitions, offset in part by the adverse impact of customer pricing changes. GAAP operating earnings were also impacted by increased acquisition-related amortization, a last-in, first-out ("LIFO") charge, and prior-year litigation charges.

## GAAP and Non-GAAP Diluted EPS (\$ per share)



### GAAP and Non-GAAP Diluted EPS

	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
<b>GAAP</b>	\$ 0.98	\$ 0.86	14%	\$ 2.14	\$ 1.65	30%
LIFO charges/(credits)	0.07	—		0.07	—	
Restructuring and employee severance	—	0.01		0.02	0.05	
Amortization and other acquisition-related costs	0.22	0.11		0.42	0.21	
Impairments and (gain)/loss on disposal of assets	0.03	(0.03)		0.03	(0.02)	
Litigation (recoveries)/charges, net	(0.01)	0.12		(0.01)	0.20	
Loss on extinguishment of debt	—	0.11		—	0.11	
<b>Non-GAAP</b>	\$ 1.30	\$ 1.20	8%	\$ 2.68	\$ 2.19	22%

The sum of the components may not equal the total due to rounding.

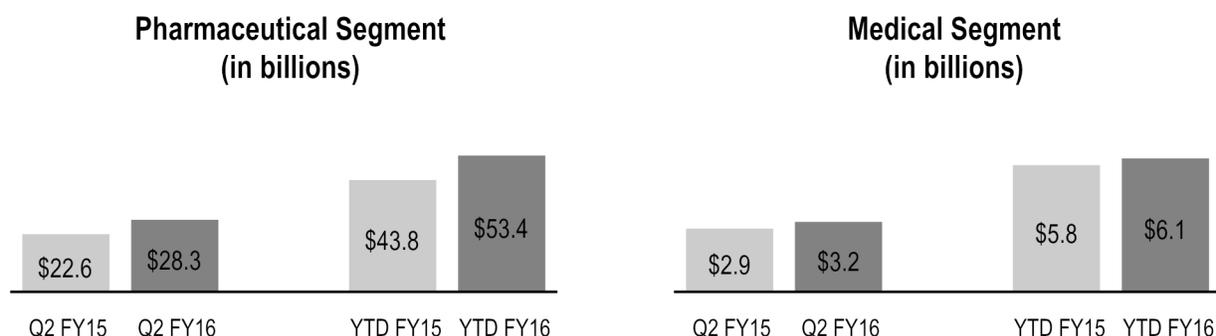
During the three and six months ended December 31, 2015, GAAP diluted earnings per share attributable to Cardinal Health, Inc. ("diluted EPS") increased 14 percent to \$0.98 and 30 percent to \$2.14, respectively. Non-GAAP diluted EPS increased 8 percent to \$1.30 and 22 percent to \$2.68 during the three and six months ended December 31, 2015, respectively. GAAP and non-GAAP diluted EPS increased primarily due to the factors impacting GAAP and non-GAAP operating earnings, partially offset by an increase in interest expense. GAAP and non-GAAP diluted EPS also increased due to a lower effective tax rate during the six months ended December 31, 2015. The increase in GAAP diluted EPS was also partially due to the prior-year loss on extinguishment of debt.

## Cash and Equivalents

Our cash and equivalents balance was \$2.3 billion at December 31, 2015 compared to \$4.6 billion at June 30, 2015. The decrease in cash and equivalents during the six months ended December 31, 2015 was driven by \$3.3 billion deployed for acquisitions and dividends of \$259 million, offset in part by cash provided by operating activities of \$1.4 billion.

## Results of Operations

### Revenue



(in millions)	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
Pharmaceutical	\$ 28,287	\$ 22,627	25%	\$ 53,427	\$ 43,836	22%
Medical	3,162	2,914	9%	6,081	5,766	5%
Total segment revenue	31,449	25,541	23%	59,508	49,602	20%
Corporate	(4)	(4)	N.M.	(9)	5	N.M.
<b>Total revenue</b>	<b>\$ 31,445</b>	<b>\$ 25,537</b>	<b>23%</b>	<b>\$ 59,499</b>	<b>\$ 49,607</b>	<b>20%</b>

#### Pharmaceutical Segment

Pharmaceutical segment revenue growth for the three and six months ended December 31, 2015 compared to the prior-year periods was primarily due to sales growth from existing and new pharmaceutical distribution customers, which increased revenue by \$5.1 billion and \$8.5 billion, respectively, including the impact of continued branded pharmaceutical price appreciation. Acquisitions also contributed to revenue growth (\$622 million and \$1.3 billion, respectively).

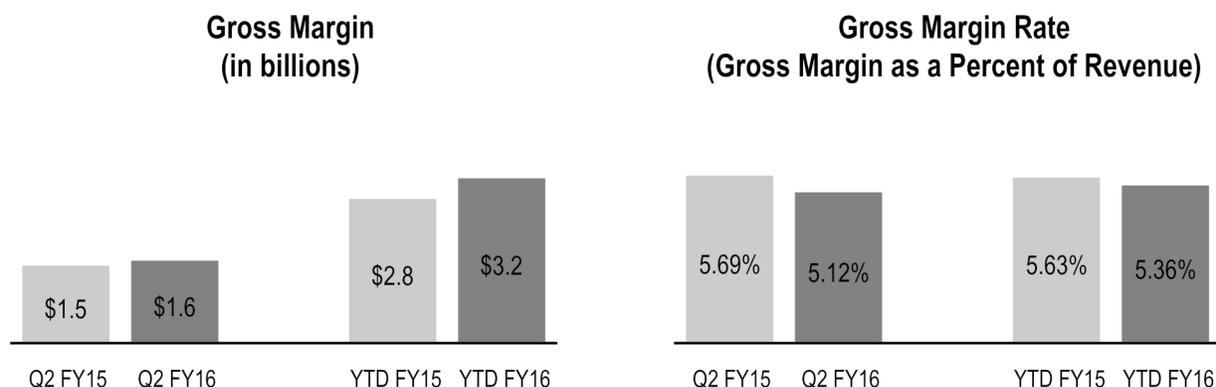
#### Medical Segment

Medical segment revenue growth for the three and six months ended December 31, 2015 compared to the prior-year periods was primarily due to acquisitions, net of divestitures, which contributed \$205 million and \$217 million, respectively.

### Cost of Products Sold

As a result of the same factors affecting the change in revenue, consolidated cost of products sold increased \$5.8 billion (24 percent) and \$9.5 billion (20 percent) compared to the prior-year periods. In addition, we incurred a \$39 million LIFO charge during the three months ended December 31, 2015. See the "Gross Margin" section for additional drivers impacting cost of products sold.

## Gross Margin



(in millions)	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
Gross margin	\$ 1,609	\$ 1,454	11%	\$ 3,188	\$ 2,794	14%

Gross margin increased during the three and six months ended December 31, 2015 compared to the prior-year periods by \$155 million (11 percent) and \$394 million (14 percent), respectively.

Gross margin was positively impacted by sales growth from existing and new pharmaceutical distribution customers (\$152 million and \$269 million during the three and six months ended December 31, 2015, respectively) and acquisitions, net of divestitures (\$147 million and \$219 million, respectively).

Gross margin rate contracted during both the three and six months ended December 31, 2015, primarily due to the onboarding of a new

mail order customer starting in October 2015. In addition, gross margin rate was favorably impacted by performance under our generics program and adversely impacted by customer pricing changes. Gross margin rate contraction includes the negative impact of a LIFO charge (\$39 million) during the three months ended December 31, 2015. See Note 1 of the "Notes to Condensed Consolidated Financial Statements" for additional information on the LIFO inventory method.

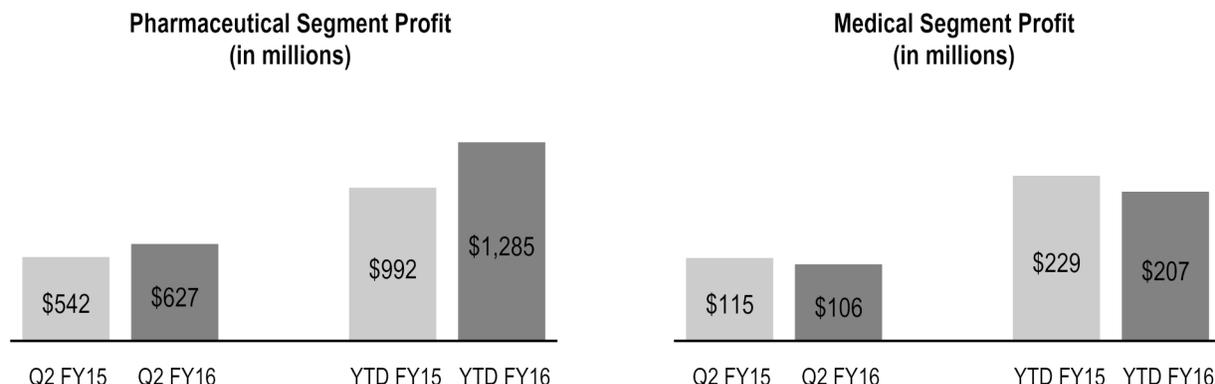
## Distribution, Selling, General, and Administrative ("SG&A") Expenses

(in millions)	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
SG&A expenses	\$ 922	\$ 815	13%	\$ 1,764	\$ 1,590	11%

The increase in SG&A expenses during the three and six months ended December 31, 2015 over the prior-year periods was driven by acquisitions, net of divestitures (\$106 million and \$136 million, respectively).

## Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 13 of the "Notes to Condensed Consolidated Financial Statements" for additional information on segment profit.



(in millions)	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
Pharmaceutical	\$ 627	\$ 542	16 %	\$ 1,285	\$ 992	29 %
Medical	106	115	(8)%	207	229	(10)%
Total segment profit	733	657	12 %	1,492	1,221	22 %
Corporate	(170)	(111)	N.M.	(309)	(209)	N.M.
<b>Total consolidated operating earnings</b>	<b>\$ 563</b>	<b>\$ 546</b>	<b>3 %</b>	<b>\$ 1,183</b>	<b>\$ 1,012</b>	<b>17 %</b>

### Pharmaceutical Segment Profit

The increase in Pharmaceutical segment profit during the three and six months ended December 31, 2015 over the prior-year periods was due to sales growth from existing and new pharmaceutical distribution customers and performance under our generics program, partially offset by the adverse impact of customer pricing changes. Acquisitions also contributed to segment profit growth. Segment profit does not include LIFO charges/(credits) held at corporate as explained in Note 13 of the "Notes to Condensed Consolidated Financial Statements."

### Medical Segment Profit

The decrease in Medical segment profit during the three and six months ended December 31, 2015 compared to the prior-year periods was primarily due to the negative impact of acquisitions and

divestitures, which included the unfavorable cost of products sold impact from the fair value step up of inventory acquired with Cordis. The decrease in Medical segment profit during the six months ended December 31, 2015 was also due to our Canada business.

### Corporate

As discussed further in sections that follow, the principal drivers for the change in Corporate during the three and six months ended December 31, 2015 compared to the prior-year periods were increased amortization and other acquisition-related costs primarily due to amortization and costs incurred in connection with the acquisitions of Cordis and Harvard Drug. Corporate was also adversely impacted by the LIFO charge described under "Gross Margin" above.

## Other Components of Consolidated Operating Earnings

In addition to revenue, gross margin, and SG&A expenses discussed previously, consolidated operating earnings were impacted by the following:

(in millions)	Three Months Ended December 31		Six Months Ended December 31	
	2015	2014	2015	2014
Restructuring and employee severance	\$ 2	\$ 7	\$ 14	\$ 26
Amortization and other acquisition-related costs	114	60	219	112
Impairments and (gain)/loss on disposal of assets, net	17	(18)	17	(18)
Litigation (recoveries)/charges, net	(9)	44	(9)	72

### Amortization and Other Acquisition-Related Costs

Amortization of acquisition-related intangible assets was \$100 million and \$47 million for the three months ended December 31, 2015 and 2014, respectively, and \$167 million and \$91 million for the six months ended December 31, 2015 and 2014, respectively. The increase in amortization of acquisition-related intangible assets during both periods is largely due to the acquisitions of Cordis and Harvard Drug. Transaction and integration costs associated with the acquisition of Cordis were \$20 million and \$41 million during the three and six months ended December 31, 2015, respectively.

### Litigation (Recoveries)/Charges, Net

During the three months ended December 31, 2015, we received and recognized income of \$13 million resulting from settlements of class action antitrust claims in which we were a class member.

During the three and six months ended December 31, 2014, we incurred litigation charges of \$7 million and \$61 million, respectively, related to the DEA and FTC investigations and related matters.

## Earnings Before Income Taxes

In addition to the items discussed above, earnings before income taxes was impacted by the following:

(in millions)	Three Months Ended December 31			Six Months Ended December 31		
	2015	2014	Change	2015	2014	Change
Other (income)/expense, net	\$ (2)	\$ (1)	N.M.	\$ 6	\$ (4)	N.M.
Interest expense, net	45	36	24%	90	70	28%
Loss on extinguishment of debt	—	60	N.M.	—	60	N.M.

### Interest Expense, Net

Interest expense increased during both the three and six months ended December 31, 2015, primarily as a result of the additional \$1.5 billion of debt issued in June 2015 to fund the Harvard Drug and Cordis acquisitions.

### Loss on Extinguishment of Debt

In December 2014 we redeemed certain debt resulting in a loss on the extinguishment of debt of \$60 million (\$37 million, net of tax).

## Provision for Income Taxes

During the three months ended December 31, 2015 and 2014, the effective tax rate was 37.3 percent and 36.0 percent, respectively. During the six months ended December 31, 2015 and 2014, the effective tax rate was 34.7 percent and 37.4 percent, respectively. The effective tax rate during the six months ended December 31, 2015 was impacted by net favorable discrete items of \$28 million.

Due to the adoption of amended accounting guidance that simplifies the accounting for income taxes, current deferred tax assets of \$20 million and current deferred tax liabilities of \$1.1 billion in our December 31, 2015 condensed consolidated balance sheet were reclassified as non-current. In accordance with the adoption of this

guidance, balances were not retrospectively adjusted. The adoption of this guidance had no impact on our condensed consolidated statements of earnings, comprehensive income or cash flows. Refer to Note 1 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

## Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; and current and projected debt service requirements, dividends, and share repurchases. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

### Cash and Equivalents

Our cash and equivalents balance was \$2.3 billion at December 31, 2015 compared to \$4.6 billion at June 30, 2015. The decrease in cash and equivalents during the six months ended December 31, 2015 was driven by \$3.3 billion deployed for acquisitions and dividends of \$259 million, offset in part by cash provided by operating activities of \$1.4 billion. At December 31, 2015, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

The cash and equivalents balance at December 31, 2015 included \$394 million of cash held by subsidiaries outside of the United States. Although the vast majority of this cash is available for repatriation,

permanently bringing the money into the United States could trigger U.S. federal, state, and local income tax obligations. As a U.S. parent company, we may temporarily access cash held by our foreign subsidiaries without becoming subject to U.S. federal, state, and local income tax through intercompany loans.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases and payments to vendors in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

### Financial Instruments and Other Financing Arrangements

#### Credit Facilities and Commercial Paper

Other sources of liquidity include a \$1.5 billion revolving credit facility and a \$950 million committed receivables sales facility program. We also have a commercial paper program of up to \$1.5 billion, backed by the revolving credit facility. At December 31, 2015, we had no outstanding balances or borrowings under these facilities, except for standby letters of credit of \$40 million under the committed receivables sales facility program.

Our revolving credit facility and committed receivables sales facility program require us to maintain a consolidated interest coverage ratio of at least 4-to-1 and consolidated leverage ratio of no more than 3.25-to-1. As of December 31, 2015, we were in compliance with these financial covenants.

#### Available-for-Sale Securities

At December 31, 2015, we held \$198 million of marketable securities, which are classified as available-for-sale.

### Capital Deployment

#### Capital Expenditures

Capital expenditures during the six months ended December 31, 2015 and 2014 were \$175 million and \$83 million, respectively.

#### Dividends

On November 4, 2015, our Board of Directors approved a quarterly dividend of \$0.3870 per share, or \$1.55 per share on an annualized basis, payable on January 15, 2016 to shareholders of record on January 4, 2016.

#### Share Repurchases

Our Board of Directors has approved a \$2.0 billion share repurchase program, which expires on December 31, 2016. During the six months ended December 31, 2015, we did not repurchase common shares under this program. At December 31, 2015, we had \$693 million remaining under this repurchase authorization.

#### Acquisitions

On July 2, 2015, August 26, 2015, and October 2, 2015, we acquired Harvard Drug, naviHealth, and Cordis for \$1.1 billion, \$238 million, and \$1.9 billion, respectively.

## Other Items

The MD&A in our 2015 Form 10-K addresses our contractual obligations, critical accounting policies and sensitive accounting estimates, and the absence of off-balance sheet arrangements, as of and for the fiscal year ended June 30, 2015. There have been no subsequent material changes outside of the ordinary course of business to those items.

## Explanation and Reconciliation of Non-GAAP Financial Measures

The "Overview of Consolidated Results" section within MD&A in this Form 10-Q contains financial measures that are not calculated in accordance with GAAP. In general, the measures exclude items and charges that we do not believe reflect our core business and relate more to strategic, multi-year corporate activities, or the items and charges relate to activities or actions that may have occurred over multiple or in prior periods without predictable trends. We use these non-GAAP financial measures internally to evaluate our performance, evaluate our financial position, engage in financial and operational planning, and determine incentive compensation.

We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results and in comparing our performance to that of our competitors. However, the non-GAAP financial measures used by us may be calculated

differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial measures should be carefully evaluated.

Following are definitions of the non-GAAP financial measures presented in this Form 10-Q and reconciliations of the differences between the non-GAAP financial measures and their most directly comparable GAAP financial measures. For all other definitions, refer to our 2015 Form 10-K.

### Definitions

**Non-GAAP operating earnings:** operating earnings excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, and (5) litigation (recoveries)/charges, net.

**Non-GAAP net earnings attributable to Cardinal Health, Inc.:** net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, each net of tax.

**Non-GAAP diluted EPS attributable to Cardinal Health, Inc. or "Non-GAAP diluted EPS":** non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

## GAAP to Non-GAAP Reconciliations

	Operating Earnings	Operating Earnings Growth Rate	Net Earnings attributable to Cardinal Health, Inc.	Net Earnings attributable to Cardinal Health, Inc. Growth Rate	Diluted EPS attributable to Cardinal Health, Inc.	Diluted EPS attributable to Cardinal Health, Inc. Growth Rate
(in millions, except per common share amounts)						
Three Months Ended December 31, 2015						
<b>GAAP</b>	\$ 563	3 %	\$ 326	13 %	\$ 0.98	14 %
LIFO charges/(credits)	39		24		0.07	
Restructuring and employee severance	2		1		—	
Amortization and other acquisition-related costs	114		73		0.22	
Impairments and (gain)/loss on disposal of assets	17		10		0.03	
Litigation (recoveries)/charges, net	(9)		(4)		(0.01)	
<b>Non-GAAP</b>	\$ 726	14 %	\$ 430	7 %	\$ 1.30	8 %
Three Months Ended December 31, 2014						
<b>GAAP</b>	\$ 546	5 %	\$ 289	5 %	\$ 0.86	9 %
Restructuring and employee severance	7		4		0.01	
Amortization and other acquisition-related costs	60		38		0.11	
Impairments and (gain)/loss on disposal of assets	(18)		(8)		(0.03)	
Litigation (recoveries)/charges, net	44		40		0.12	
Loss on extinguishment of debt	—		37		0.11	
<b>Non-GAAP</b>	\$ 639	10 %	\$ 400	28 %	\$ 1.20	33 %
Six Months Ended December 31, 2015						
<b>GAAP</b>	\$ 1,183	17 %	\$ 709	28 %	\$ 2.14	30 %
LIFO charges/(credits)	39		24		0.07	
Restructuring and employee severance	14		9		0.02	
Amortization and other acquisition-related costs	219		141		0.42	
Impairments and (gain)/loss on disposal of assets	17		10		0.03	
Litigation (recoveries)/charges, net	(9)		(4)		(0.01)	
<b>Non-GAAP</b>	\$ 1,463	22 %	\$ 889	20 %	\$ 2.68	22 %
Six Months Ended December 31, 2014						
<b>GAAP</b>	\$ 1,012	2 %	\$ 555	(10)%	\$ 1.65	(7)%
Restructuring and employee severance	26		17		0.05	
Amortization and other acquisition-related costs	112		71		0.21	
Impairments and (gain)/loss on disposal of assets	(18)		(8)		(0.02)	
Litigation (recoveries)/charges, net	72		68		0.20	
Loss on extinguishment of debt	—		37		0.11	
<b>Non-GAAP</b>	\$ 1,204	8 %	\$ 740	7 %	\$ 2.19	10 %

The sum of the components may not equal the total due to rounding.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

## Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risk disclosures included in our 2015 Form 10-K since the end of fiscal 2015 through December 31, 2015.

## Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2015. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of December 31, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Legal Proceedings

The legal proceedings described in Note 7 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

## Risk Factors

You should carefully consider the information in this Form 10-Q and the risk factors discussed in "Risk Factors" and other risks discussed in our 2015 Form 10-K and our filings with the SEC since June 30, 2015. These risks could materially and adversely affect our results of operations, financial condition, liquidity, and cash flows. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

## Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (2) (in millions)
October 2015	266	\$ 79.88	—	\$ 693
November 2015	231	87.72	—	693
December 2015	221	88.83	—	693
<b>Total</b>	<b>718</b>	<b>\$ 85.16</b>	<b>—</b>	<b>\$ 693</b>

(1) Common shares purchased through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On October 29, 2013, our Board of Directors approved a \$1.0 billion share repurchase program and on August 6, 2014, the Board of Directors authorized an additional \$1.0 billion under the program, for a total of \$2.0 billion. This program expires on December 31, 2016. We did not repurchase common shares under this program during the three months ended December 31, 2015.

## Condensed Consolidated Statements of Earnings (Unaudited)

(in millions, except per common share amounts)	Three Months Ended December 31		Six Months Ended December 31	
	2015	2014	2015	2014
Revenue	\$ 31,445	\$ 25,537	\$ 59,499	\$ 49,607
Cost of products sold	29,836	24,083	56,311	46,813
Gross margin	1,609	1,454	3,188	2,794
<b>Operating expenses:</b>				
Distribution, selling, general, and administrative expenses	922	815	1,764	1,590
Restructuring and employee severance	2	7	14	26
Amortization and other acquisition-related costs	114	60	219	112
Impairments and (gain)/loss on disposal of assets, net	17	(18)	17	(18)
Litigation (recoveries)/charges, net	(9)	44	(9)	72
Operating earnings	563	546	1,183	1,012
Other (income)/expense, net	(2)	(1)	6	(4)
Interest expense, net	45	36	90	70
Loss on extinguishment of debt	—	60	—	60
Earnings before income taxes	520	451	1,087	886
Provision for income taxes	194	162	377	331
Net earnings	326	289	710	555
Less: Net earnings attributable to noncontrolling interests	—	—	(1)	—
<b>Net earnings attributable to Cardinal Health, Inc.</b>	<b>\$ 326</b>	<b>\$ 289</b>	<b>\$ 709</b>	<b>\$ 555</b>
<b>Earnings per common share attributable to Cardinal Health, Inc.:</b>				
Basic	\$ 0.99	\$ 0.87	\$ 2.16	\$ 1.66
Diluted	0.98	0.86	2.14	1.65
<b>Weighted-average number of common shares outstanding:</b>				
Basic	329	331	329	333
Diluted	332	334	332	337
Cash dividends declared per common share	\$ 0.3870	\$ 0.3425	\$ 0.7740	\$ 0.6850

See notes to condensed consolidated financial statements.

## Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(in millions)	Three Months Ended December 31		Six Months Ended December 31	
	2015	2014	2015	2014
Net earnings	\$ 326	\$ 289	\$ 710	\$ 555
<b>Other comprehensive loss:</b>				
Foreign currency translation adjustments	(28)	(40)	(73)	(64)
Net unrealized loss on derivative instruments, net of tax	(1)	(9)	(1)	(9)
Total other comprehensive loss, net of tax	(29)	(49)	(74)	(73)
Total comprehensive income	297	240	636	482
Less: Comprehensive income attributable to noncontrolling interests	—	—	(1)	—
<b>Total comprehensive income attributable to Cardinal Health, Inc.</b>	<b>\$ 297</b>	<b>\$ 240</b>	<b>\$ 635</b>	<b>\$ 482</b>

See notes to condensed consolidated financial statements.

## Condensed Consolidated Balance Sheets

(in millions)	December 31, 2015	June 30, 2015
	(Unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 2,324	\$ 4,616
Trade receivables, net	6,980	6,523
Inventories, net	11,007	9,211
Prepaid expenses and other	1,518	1,402
<b>Total current assets</b>	<b>21,829</b>	<b>21,752</b>
Property and equipment, net	1,651	1,506
Goodwill and other intangibles, net	9,113	6,018
Other assets	914	866
<b>Total assets</b>	<b>\$ 33,507</b>	<b>\$ 30,142</b>
<b>Liabilities, Redeemable Noncontrolling Interests, and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 16,919	\$ 14,368
Current portion of long-term obligations and other short-term borrowings	354	281
Other accrued liabilities	1,606	2,594
<b>Total current liabilities</b>	<b>18,879</b>	<b>17,243</b>
Long-term obligations, less current portion	5,171	5,211
Deferred income taxes and other liabilities	2,609	1,432
Redeemable noncontrolling interests	120	—
<b>Shareholders' equity:</b>		
Preferred shares, without par value:		
Authorized—500 thousand shares, Issued—none	—	—
Common shares, without par value:		
Authorized—755 million shares, Issued—364 million shares at December 31, 2015 and June 30, 2015	2,973	3,003
Retained earnings	5,972	5,521
Common shares in treasury, at cost: 34 million shares and 36 million shares at December 31, 2015 and June 30, 2015, respectively	(2,137)	(2,245)
Accumulated other comprehensive loss	(97)	(23)
<b>Total Cardinal Health, Inc. shareholders' equity</b>	<b>6,711</b>	<b>6,256</b>
Noncontrolling interests	17	—
<b>Total shareholders' equity</b>	<b>6,728</b>	<b>6,256</b>
<b>Total liabilities, redeemable noncontrolling interests, and shareholders' equity</b>	<b>\$ 33,507</b>	<b>\$ 30,142</b>

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)	Six Months Ended December 31	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 710	\$ 555
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	306	220
Loss on extinguishment of debt	—	60
Gain on sale of other investments	—	(5)
Impairments and (gain)/loss on disposal of assets, net	17	(18)
Share-based compensation	56	53
Provision for bad debts	35	26
Change in fair value of contingent consideration obligation	(14)	—
Change in operating assets and liabilities, net of effects from acquisitions:		
Increase in trade receivables	(393)	(291)
Increase in inventories	(1,565)	(1,137)
Increase in accounts payable	2,431	1,438
Other accrued liabilities and operating items, net	(172)	113
Net cash provided by operating activities	1,411	1,014
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiaries, net of cash acquired	(3,284)	(86)
Additions to property and equipment	(175)	(83)
Purchase of available-for-sale securities and other investments	(88)	(107)
Proceeds from sale of available-for-sale securities and other investments	57	107
Proceeds from maturities of available-for-sale securities	19	16
Proceeds from divestitures and disposal of held for sale assets	—	53
Net cash used in investing activities	(3,471)	(100)
<b>Cash flows from financing activities:</b>		
Payment of contingent consideration obligation	(23)	—
Net change in short-term borrowings	39	(18)
Reduction of long-term obligations	(4)	(1,220)
Proceeds from long-term obligations, net of issuance costs	—	1,182
Net proceeds/(tax withholdings) from share-based compensation	(7)	35
Tax proceeds from share-based compensation	32	42
Dividends on common shares	(259)	(233)
Purchase of treasury shares	—	(686)
Net cash used in financing activities	(222)	(898)
Effect of exchange rate changes on cash and equivalents	(10)	—
Net increase/(decrease) in cash and equivalents	(2,292)	16
Cash and equivalents at beginning of period	4,616	2,865
<b>Cash and equivalents at end of period</b>	<b>\$ 2,324</b>	<b>\$ 2,881</b>

See notes to condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

## 1. Basis of Presentation and Summary of Significant Accounting Policies

### Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. References to "we," "our," and similar pronouns in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 (this "Form 10-Q") refer to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context requires otherwise. The results of businesses acquired or disposed of are included in the condensed consolidated financial statements from the effective date of the acquisition or up to the date of disposal, respectively.

Our condensed consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission ("SEC") instructions to Quarterly Reports on Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. In addition, operating results presented for this fiscal 2016 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2016.

These condensed consolidated financial statements are unaudited and are presented pursuant to the rules and regulations of the SEC. Accordingly, the condensed consolidated financial statements included in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (the "2015 Form 10-K"). In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Except as disclosed elsewhere in this Form 10-Q, all such adjustments are of a normal and recurring nature.

### Inventories

A substantial portion of our inventories are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These inventories are included within the core pharmaceutical distribution facilities of our Pharmaceutical segment ("distribution facilities") and are primarily merchandise inventories. The LIFO method presumes that the most recent inventory purchases are the first items sold, so LIFO helps us better match current costs and revenue. We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within these distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market

and (b) inventory at replacement cost determined using the average cost method of inventory valuation.

Interim LIFO calculations are based on our estimates of expected year-end inventory levels and costs, as the actual valuation of inventory under the LIFO method is computed at the end of the fiscal year based on the inventory levels and costs at that time. Based upon the year-to-date balance and expectations for the remainder of the fiscal year, we recorded a LIFO charge of \$39 million for the three months ended December 31, 2015, which is included in cost of products sold in the condensed consolidated financial statements.

### Recent Financial Accounting Standards

In January 2016, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance intended to improve the recognition and measurement of financial instruments as part of a larger simplification initiative. The amended guidance primarily changes the accounting for equity method investments, financial liabilities under the fair value option, the method for assessing the realizability of deferred tax assets related to available-for-sale securities, and the presentation and disclosure requirements for financial instruments. This classification and measurement guidance will be effective for us in the first quarter of fiscal 2019, with early adoption permitted. We are currently evaluating the impact of the adoption on our consolidated financial statements.

In November 2015, the FASB issued amended accounting guidance that simplifies the accounting for income taxes. Under this amended guidance, deferred tax assets and liabilities must be classified as noncurrent on the balance sheet instead of separating deferred tax items into current and noncurrent amounts. We adopted this guidance on a prospective basis in the second quarter of fiscal 2016. Upon adoption of this guidance, current deferred tax assets of \$20 million and current deferred tax liabilities of \$1.1 billion in our December 31, 2015 condensed consolidated balance sheet were reclassified as noncurrent. In accordance with the adoption of this guidance, balances were not retrospectively adjusted. The adoption of this guidance had no impact on our condensed consolidated statements of earnings, comprehensive income or cash flows.

In September 2015, the FASB issued amended accounting guidance that eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments on a retrospective basis. Under this amended guidance, the acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. We adopted this guidance in the second quarter of fiscal 2016. The adoption of this guidance did not materially impact our condensed consolidated financial statements.

In May 2014, the FASB issued amended accounting guidance related to revenue recognition. This guidance is based on the principle that revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to customers. The guidance also requires additional disclosure about the nature, amount, timing, and

uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015, the FASB deferred the effective date for one year beyond the originally specified effective date. This amendment will be effective for us in the first quarter of fiscal 2019. We are continuing to evaluate the options for adoption and the impact on our consolidated financial statements.

In April 2014, the FASB issued amended accounting guidance related to the reporting of discontinued operations and disclosures of disposals of components of an entity. The amended guidance changes the thresholds for disposals to qualify as discontinued operations and requires additional disclosures. We adopted this guidance in the first quarter of fiscal 2016. The adoption of this guidance did not impact our condensed consolidated financial statements.

## 2. Acquisitions

During the six months ended December 31, 2015, we completed several acquisitions, the most significant of which are described in more detail below. The pro forma results of operations and the results of operations for acquired businesses since the acquisition dates have not been separately disclosed because the effects were not significant compared to the condensed consolidated financial statements, individually or in the aggregate.

### Cordis

On October 2, 2015, we acquired the Cordis business ("Cordis") from Ethicon, Inc., a wholly-owned subsidiary of Johnson & Johnson, for \$1.9 billion using cash on hand and proceeds from our debt offering in June 2015. The acquisition of Cordis, a global manufacturer and distributor of interventional cardiology devices and endovascular solutions with operations in more than 50 countries, expands our Medical segment's portfolio of self-manufactured products and its geographic scope. We closed the Cordis acquisition in 20 principal countries on October 2, 2015, and acquired the rights to the net economic benefit from the entire Cordis business in the other countries at that time. For the remaining non-principal countries, we will acquire legal ownership in the next 24 months. The results for the entire Cordis business in all countries are included in the condensed consolidated financial statements as of and for the six months ended December 31, 2015.

Transaction and integration costs associated with the acquisition of Cordis were \$20 million and \$41 million during the three and six months ended December 31, 2015, respectively, and are included in amortization and other acquisition-related costs in the condensed consolidated statements of earnings.

### naviHealth

On August 26, 2015, we acquired a 71 percent ownership interest in naviHealth Group Holdings, L.P. ("naviHealth") for \$238 million, net of cash acquired of \$53 million. We funded the acquisition with cash on hand. The acquisition of naviHealth, a leader in post-acute care management solutions, expands our ability to serve health plans, health systems, and providers. We consolidate the results of naviHealth in our condensed consolidated financial statements and

report its consolidated results in our Medical segment. The terms of the agreement provide us with the option to acquire the remaining 29 percent noncontrolling interests at any time after the two-year anniversary of the closing. The third-party noncontrolling interests holders also hold an option, which allows them to sell their noncontrolling interests to us at any time after the two-year anniversary of the closing. Refer to Note 10 for further information on the redeemable noncontrolling interests.

### Harvard Drug

On July 2, 2015, we completed the acquisition of The Harvard Drug Group ("Harvard Drug") for \$1.1 billion using cash on hand and proceeds from our debt offering in June 2015. The acquisition of Harvard Drug, a distributor of generic pharmaceuticals, over-the-counter healthcare and related products to retail, institutional and alternate care customers, enhances our Pharmaceutical segment's generic pharmaceutical distribution and related services businesses. Harvard Drug also manufactures and repackages generic pharmaceuticals and over-the-counter healthcare products.

### Fair Value of Assets Acquired and Liabilities Assumed

The allocation of the purchase price for the acquisitions of Cordis, naviHealth, and Harvard Drug are not yet finalized and are subject to adjustment as we complete the valuation analysis for these acquisitions. The purchase prices are also subject to adjustment based on working capital requirements as set forth in the acquisition agreements.

The valuation of identifiable intangible assets utilizes significant unobservable inputs and thus represents a Level 3 nonrecurring fair value measurement. The estimated fair value of the identifiable intangible assets was determined using an income-based approach, which includes market participant expectations of the cash flows that an asset could generate over its remaining useful life, discounted back to present value using an appropriate rate of return. The discount rates used to arrive at the present value of the identifiable intangible assets ranged from 12 percent to 14 percent, and reflect the internal rate of return and uncertainty in the cash flow projections.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition dates for Cordis, naviHealth, and Harvard Drug:

(in millions)	Cordis	naviHealth	Harvard Drug
<b>Identifiable intangible assets:</b>			
Customer relationships (1)	\$ 230	\$ 38	\$ 470
Trade names (2)	130	16	130
Developed technology (3)	400	61	—
In-process research and development (4)	55	—	—
Total identifiable intangible assets acquired	815	115	600
Cash and equivalents	—	53	46
Trade receivables	—	38	67
Inventories	213	—	49
Prepaid expenses and other	4	14	12
Property and equipment	98	5	16
Other assets	10	1	1
Accounts payable	(81)	(2)	(48)
Other accrued liabilities	(11)	(95)	(39)
Deferred income taxes and other liabilities	(7)	(42)	(104)
Redeemable noncontrolling interests	—	(119)	—
Total identifiable net assets/(liabilities) acquired	1,041	(32)	600
Goodwill	832	323	551
<b>Total net assets acquired</b>	<b>\$ 1,873</b>	<b>\$ 291</b>	<b>\$ 1,151</b>

- (1) The weighted-average useful lives of customer relationships range from 4 to 13 years.
- (2) The weighted-average useful lives of trade names range from 10 to 17 years.
- (3) The weighted-average useful life of developed technology is 10 years.
- (4) Acquired in-process research and development ("IPR&D") intangible assets have an indefinite-life.

### 3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

(in millions)	Three Months Ended December 31	
	2015	2014
Employee-related costs (1)	\$ —	\$ 5
Facility exit and other costs (2)	2	2
<b>Total restructuring and employee severance</b>	<b>\$ 2</b>	<b>\$ 7</b>

(in millions)	Six Months Ended December 31	
	2015	2014
Employee-related costs (1)	\$ 6	\$ 21
Facility exit and other costs (2)	8	5
<b>Total restructuring and employee severance</b>	<b>\$ 14</b>	<b>\$ 26</b>

- (1) Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated and duplicate payroll costs

during transition periods.

- (2) Facility exit and other costs primarily consist of lease termination costs, accelerated depreciation, equipment relocation costs, project consulting fees, and costs associated with restructuring our delivery of information technology infrastructure services.

The following table summarizes activity related to liabilities associated with restructuring and employee severance:

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2015	\$ 22	\$ —	\$ 22
Additions	7	2	9
Payments and other adjustments	(13)	—	(13)
<b>Balance at December 31, 2015</b>	<b>\$ 16</b>	<b>\$ 2</b>	<b>\$ 18</b>

### 4. Goodwill and Other Intangible Assets

#### Goodwill

The following table summarizes the changes in the carrying amount of goodwill by segment and in total:

(in millions)	Pharmaceutical	Medical	Total
Balance at June 30, 2015	\$ 2,199	\$ 2,871	\$ 5,070
Goodwill acquired, net of purchase price adjustments	578	1,178	1,756
Foreign currency translation adjustments and other	(13)	(14)	(27)
<b>Balance at December 31, 2015</b>	<b>\$ 2,764</b>	<b>\$ 4,035</b>	<b>\$ 6,799</b>

The increase in the Pharmaceutical segment goodwill is primarily due to the Harvard Drug acquisition. Goodwill recognized in connection with this acquisition primarily represents the expected benefits from synergies of integrating this business, the existing workforce of the acquired entity, and expected growth from new customers.

The increase in the Medical segment goodwill is primarily due to the Cordis and naviHealth acquisitions. Goodwill recognized in connection with the Cordis acquisition primarily represents the expected benefits from synergies of integrating the business, the existing workforce of the acquired entity, expected growth from new customers, and the expected growth from existing technology. Goodwill recognized in connection with the naviHealth acquisition primarily represents the existing workforce of the acquired entity, expected growth from new customers, new service offerings, and the expected growth from existing technology.

See Note 2 for further discussion of these acquisitions.

## Other Intangible Assets

The following tables summarize other intangible assets by class at:

(in millions)	December 31, 2015				Weighted Average Remaining Amortization Period (Years)
	Gross Intangible	Accumulated Amortization	Net Intangible		
<b>Indefinite-life intangibles:</b>					
IPR&D, trademarks and other	\$ 69	\$ —	\$ 69		N/A
Total indefinite-life intangibles	69	—	69		N/A
<b>Definite-life intangibles:</b>					
Customer relationships	1,826	620	1,206		10
Trademarks, trade names, and patents	512	112	400		15
Developed technology and other	793	154	639		10
Total definite-life intangibles	3,131	886	2,245		11
<b>Total other intangible assets</b>	<b>\$ 3,200</b>	<b>\$ 886</b>	<b>\$ 2,314</b>		<b>N/A</b>

(in millions)	June 30, 2015			
	Gross Intangible	Accumulated Amortization	Net Intangible	
<b>Indefinite-life intangibles:</b>				
Trademarks and other	\$ 14	\$ —	\$ 14	
Total indefinite-life intangibles	14	—	14	
<b>Definite-life intangibles:</b>				
Customer relationships	1,103	501	602	
Trademarks, trade names, and patents	237	91	146	
Developed technology and other	320	134	186	
Total definite-life intangibles	1,660	726	934	
<b>Total other intangible assets</b>	<b>\$ 1,674</b>	<b>\$ 726</b>	<b>\$ 948</b>	

Total amortization of intangible assets was \$101 million and \$47 million for the three months ended December 31, 2015 and 2014, respectively, and \$168 million and \$92 million for the six months ended December 31, 2015 and 2014, respectively. Estimated annual amortization of intangible assets for the remainder of fiscal 2016 through 2020 is as follows: \$189 million, \$368 million, \$308 million, \$255 million, and \$228 million.

## 5. Available-for-Sale Securities

We invest in marketable securities, which are classified as available-for-sale and are carried at fair value in the condensed consolidated balance sheets. We held the following investments in marketable securities at fair value at:

(in millions)	December 31, 2015	June 30, 2015
<b>Current available-for-sale securities:</b>		
Commercial paper	\$ 2	\$ 4
Treasury bills	2	12
International bonds	—	2
Corporate bonds	53	34
U.S. agency bonds	1	5
Asset-backed securities	28	8
International equity securities	2	—
U.S. agency mortgage-backed securities	16	26
Total current available-for-sale securities	104	91
<b>Long-term available-for-sale securities:</b>		
International bonds	1	—
Corporate bonds	29	33
U.S. agency bonds	31	18
Asset-backed securities	20	41
U.S. agency mortgage-backed securities	13	10
Total long-term available-for-sale securities	94	102
<b>Total available-for-sale securities</b>	<b>\$ 198</b>	<b>\$ 193</b>

Gross unrealized gains and losses were immaterial at December 31, 2015 and June 30, 2015. During the three and six months ended December 31, 2015 and 2014, gross realized gains and losses were immaterial and we did not recognize any other-than-temporary impairments. At December 31, 2015, the weighted-average effective maturity of our current and long-term investments was approximately 6 months and 14 months, respectively.

## 6. Income Taxes

Fluctuations in our provision for income taxes as a percentage of pretax earnings ("effective tax rate") are due to changes in international and U.S. state effective tax rates resulting from our business mix and discrete items.

During the three months ended December 31, 2015 and 2014, the effective tax rate was 37.3 percent and 36.0 percent, respectively.

During the six months ended December 31, 2015 and 2014, the effective tax rate was 34.7 percent and 37.4 percent, respectively. The effective tax rate during the six months ended December 31, 2015 was impacted by net favorable discrete items of \$28 million.

At December 31, 2015 and June 30, 2015, we had \$530 million and \$542 million of unrecognized tax benefits, respectively. The December 31, 2015 and June 30, 2015 balances include \$348 million and \$357 million of unrecognized tax benefits, respectively, that if recognized, would have an impact on the effective tax rate.

At December 31, 2015 and June 30, 2015, we had \$154 million and \$169 million, respectively, accrued for the payment of interest and penalties related to unrecognized tax benefits, which we recognize in the provision for income taxes in the condensed consolidated statements of earnings. These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service or other taxing authorities, possible settlement of audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is a net decrease of zero to \$190 million, exclusive of penalties and interest.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2006 through the current fiscal year.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), which has been acquired by Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was \$222 million and \$219 million at December 31, 2015, and June 30, 2015, respectively, and is included in other assets in the condensed consolidated balance sheets.

## 7. Commitments, Contingent Liabilities and Litigation

### Commitments

#### Generic Sourcing Venture With CVS Health Corporation

In July 2014, we established Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS Health Corporation ("CVS Health") with an initial term of 10 years. Both companies have contributed sourcing and supply chain expertise to the 50/50 venture and have committed to source generic pharmaceuticals through arrangements negotiated by the venture. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of both companies. We are required to pay 39 quarterly payments of \$25.6 million to CVS Health which commenced in October 2014. Due to the achievement of a milestone, the quarterly payment to CVS Health increased by \$10 million beginning in the first quarter of fiscal 2016. In addition, if an additional milestone is achieved, the quarterly payment will increase in fiscal 2017 by a further \$10 million resulting in a maximum quarterly payment of \$45.6 million if all milestones are met.

### Legal Proceedings

We become involved from time to time in disputes, litigation, and regulatory matters incidental to our business.

We may be named from time to time in qui tam actions, which are initiated by private third parties purporting to act on behalf of federal or state governments, that allege that false claims have been submitted or have been caused to be submitted for payment by the government. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own on behalf of the government.

From time to time, we receive subpoenas or requests for information from various government agencies relating to our business or to the business of a customer, supplier, or other industry participant. Most of these matters are resolved without incident; however, such subpoenas or requests can lead to the assertion of claims, or the commencement of legal proceedings, against us.

In addition, we may suspect that products we manufacture, market or distribute do not meet product specifications, published standards, or regulatory requirements. In such circumstances, we investigate and take appropriate corrective action. Such actions can lead to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, and action by regulators.

We accrue for contingencies related to disputes, litigation, and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

With respect to the matters described below, we are unable to estimate a range of reasonably possible loss for matters for which there is no accrual, or additional loss for matters for which we have recorded an accrual, since damages or fines have not been specified or the proceedings are at stages where significant uncertainty exists as to legal or factual issues and as to whether such matters will proceed to trial. We do not believe, based on currently available information, that the outcomes of these matters will have a material adverse effect on our financial position, results of operations, or cash flows, though the outcome of one or more of these matters could be material to our results of operations for a particular period.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

We recognize estimated loss contingencies for litigation and regulatory matters and income from favorable resolution of litigation in litigation (recoveries)/charges, net in our condensed consolidated statements of earnings.

#### DEA Investigation and Related Matters

In February 2012, the U.S. Drug Enforcement Administration (the "DEA") issued an order to show cause and immediate suspension of our Lakeland, Florida distribution center's registration to distribute controlled substances, asserting that we failed to maintain required controls against the diversion of controlled substances. In May 2012, we entered into a settlement agreement with the DEA that resolved the administrative aspects of the DEA's action but did not resolve potential liability for civil fines in Florida or elsewhere for the conduct covered by the settlement agreement. In that regard, we are continuing to discuss a settlement with the U.S. Department of Justice. Our total accrual for this matter at December 31, 2015 and June 30, 2015 was \$44 million and \$41 million, respectively, which is included in other accrued liabilities in the condensed consolidated balance sheets.

**State of West Virginia vs. Cardinal Health, Inc.**

Since June 2012, the West Virginia Attorney General has filed complaints against a number of pharmaceutical wholesale distributors, including us and Harvard Drug. The complaints, which were filed in the Circuit Court of Boone County, West Virginia, allege, among other things, that the distributors failed to maintain effective controls to guard against diversion of controlled substances in West Virginia, failed to report suspicious orders of controlled substances in accordance with the West Virginia Uniform Controlled Substances Act, and were negligent in distributing controlled substances to pharmacies that serve individuals who abuse controlled substances. The complaints seek, among other things, injunctive and other equitable relief and monetary damages. We are vigorously defending ourselves in this matter.

**Antitrust Litigation Proceeds**

We received and recognized income resulting from settlements of class action antitrust claims in which we were a class member of \$13 million during both the three and six months ended December 31, 2015.

**8. Fair Value Measurements**

The following tables present the fair values for assets and (liabilities) measured on a recurring basis at:

(in millions)	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents (1)	\$ 554	\$ —	\$ —	\$ 554
Forward contracts (2)	—	5	—	5
Available-for-sale securities (3)	—	198	—	198
Other investments (4)	115	—	—	115
<b>Liabilities:</b>				
Contingent Consideration (5)	—	—	(23)	(23)

(in millions)	June 30, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents (1)	\$ 1,809	\$ —	\$ —	\$ 1,809
Forward contracts (2)	—	5	—	5
Available-for-sale securities (3)	—	193	—	193
Other investments (4)	111	—	—	111
<b>Liabilities:</b>				
Contingent Consideration (5)	—	—	(53)	(53)

- Cash equivalents are comprised of highly liquid investments purchased with a maturity of three months or less. The carrying value of these cash equivalents approximates fair value due to their short-term maturities.
- The fair value of interest rate swaps, foreign currency contracts, and commodity contracts is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in the condensed consolidated balance sheets.
- We invest in marketable securities, which are classified as available-for-sale and are carried at fair value in the condensed consolidated balance sheets.

Observable Level 2 inputs such as quoted prices for similar securities, interest rate spreads, yield curves, and credit risk are used to determine the fair value. See Note 5 for additional information regarding available-for-sale securities.

- The other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds primarily invest in the equity securities of companies with large market capitalization and high quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.
- Contingent consideration represents the obligations incurred in connection with acquisitions. We do not deem the fair value of the contingent consideration obligations under any single acquisition to be significant. The estimate of fair value of the contingent consideration obligations requires subjective assumptions to be made regarding future business results, discount rates, discount periods, and probabilities assigned to various potential business result scenarios and was determined using probability assessments with respect to the likelihood of reaching various targets or from achieving certain milestones. The fair value measurement is based on significant inputs unobservable in the market and thus represents a Level 3 measurement. Failure to meet current expectations of progress could increase the probability of not achieving the targets within the measurement periods and result in a reduction in the fair value of the contingent consideration obligation.

The following table presents a reconciliation of those liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3):

(in millions)	Contingent Consideration Obligation
Balance at June 30, 2015	\$ 53
Additions from acquisitions	7
Changes in fair value of contingent consideration (1)	(14)
Payment of contingent consideration	(23)
<b>Balance at December 31, 2015</b>	<b>\$ 23</b>

- Amount is included in amortization and other acquisition-related costs in the condensed consolidated statements of earnings.

**9. Financial Instruments**

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk, and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period. Our derivative and hedging programs are consistent with those described in the 2015 Form 10-K. The amount of ineffectiveness associated with these derivative instruments was immaterial for the three and six months ended December 31, 2015 and 2014.

During the three months ended December 31, 2015 and 2014, we entered into pay-floating interest rate swaps with total notional amounts of \$300 million and \$450 million, respectively. These swaps have been designated as fair value hedges of our fixed rate debt and are included in other assets in the condensed consolidated balance sheets.

During the three months ended September 30, 2014, we entered into forward interest rate swaps with a total notional amount of \$50 million to hedge probable, but not firmly committed, future transactions associated with our debt.

In December 2014, we terminated notional amounts of \$875 million of pay-floating interest rate swaps in connection with the debt redemption described in our 2015 10-K. These swaps were previously designated as fair value hedges. As a result of this redemption, we also incurred a loss on the extinguishment of debt of \$60 million (\$37 million, net of tax), which included a make-whole premium of \$80 million, write-off of \$2 million of unamortized debt issuance costs, and an offsetting \$22 million fair value adjustment to the respective debt related to previously terminated interest rate swaps.

### Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable, and other accrued liabilities at December 31, 2015 and June 30, 2015 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at:

(in millions)	December 31, 2015	June 30, 2015
Estimated fair value	\$ 5,625	\$ 5,521
Carrying amount	5,525	5,492

The fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement.

### 10. Redeemable Noncontrolling Interests

In connection with the acquisition of a 71 percent ownership interest in naviHealth described in Note 2, we recognized noncontrolling interests with a fair value of \$119 million at the acquisition date.

The noncontrolling interests are redeemable at the option of the third-party noncontrolling interests holders at any time after the two-year anniversary of the closing. As such, the noncontrolling interests have been presented as redeemable noncontrolling interests in our condensed consolidated balance sheets. The noncontrolling interests will be adjusted each period for net earnings and dividends attributable to the noncontrolling interests and changes in the noncontrolling ownership interests in naviHealth, if any. An additional adjustment to the carrying value of the noncontrolling interests may be required if the redemption value under the terms of the agreement exceeds the carrying value. Changes in the carrying value of the noncontrolling interests related to a change in the redemption value will be recorded through retained earnings and will not affect net earnings attributable to Cardinal Health, Inc.

The reconciliation of the changes in redeemable noncontrolling interests are as follows:

(in millions)

Balance at June 30, 2015	\$	—
Redeemable noncontrolling interests acquired		119
Net earnings attributable to redeemable noncontrolling interests		1
<b>Balance at December 31, 2015</b>	<b>\$</b>	<b>120</b>

### 11. Shareholders' Equity

During the six months ended December 31, 2015, we did not repurchase any common shares.

During the six months ended December 31, 2014, we repurchased 9.1 million common shares having an aggregate cost of \$684 million. The average price paid per common share was \$75.00. We funded the repurchases with available cash. The common shares repurchased are held in treasury to be used for general corporate purposes.

### Accumulated Other Comprehensive Loss

The following table summarizes the changes in the balance of accumulated other comprehensive loss by component and in total:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Gain/(Loss) on Derivatives, net of tax	Accumulated Other Comprehensive Loss
Balance at June 30, 2015	\$ (41)	\$ 18	\$ (23)
Other comprehensive loss, net of tax before reclassifications	(73)	(1)	(74)
Amounts reclassified to earnings	—	—	—
Total other comprehensive loss	(73)	(1)	(74)
<b>Balance at December 31, 2015</b>	<b>\$ (114)</b>	<b>\$ 17</b>	<b>\$ (97)</b>

Activity related to realized and unrealized gains and losses on available-for-sale securities, as described in Note 5, was immaterial during the three and six months ended December 31, 2015.

### 12. Earnings Per Share Attributable to Cardinal Health, Inc.

The following tables reconcile the number of common shares used to compute basic and diluted earnings per share attributable to Cardinal Health, Inc.:

(in millions)	Three Months Ended December 31	
	2015	2014
Weighted-average common shares—basic	329	331
<b>Effect of dilutive securities:</b>		
Employee stock options, restricted share units, and performance share units	3	3
<b>Weighted-average common shares—diluted</b>	<b>332</b>	<b>334</b>

(in millions)	Six Months Ended December 31	
	2015	2014
Weighted-average common shares—basic	329	333
<b>Effect of dilutive securities:</b>		
Employee stock options, restricted share units, and performance share units	3	4
<b>Weighted-average common shares—diluted</b>	<b>332</b>	<b>337</b>

The potentially dilutive employee stock options, restricted share units, and performance share units that were antidilutive were 2 million and 1 million for the three months ended December 31, 2015 and 2014, respectively, and 2 million and 1 million for the six months ended December 31, 2015 and 2014, respectively.

### 13. Segment Information

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. The factors for determining the reportable segments include the manner in which management evaluates performance for purposes of allocating resources and assessing performance combined with the nature of the individual business activities.

The following tables present revenue for each reportable segment and Corporate:

(in millions)	Three Months Ended December 31	
	2015	2014
Pharmaceutical	\$ 28,287	\$ 22,627
Medical	3,162	2,914
Total segment revenue	31,449	25,541
Corporate (1)	(4)	(4)
<b>Total revenue</b>	<b>\$ 31,445</b>	<b>\$ 25,537</b>

(in millions)	Six Months Ended December 31	
	2015	2014
Pharmaceutical	\$ 53,427	\$ 43,836
Medical	6,081	5,766
Total segment revenue	59,508	49,602
Corporate (1)	(9)	5
<b>Total revenue</b>	<b>\$ 59,499</b>	<b>\$ 49,607</b>

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

We evaluate segment performance based on segment profit, among other measures. Segment profit is segment revenue, less segment cost of products sold, less segment SG&A expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial and customer care shared services, human resources, information technology, and legal and compliance. The results attributable to noncontrolling interests are recorded within segment profit. Corporate expenses are

allocated to the segments based on headcount, level of benefit provided, and other ratable allocation methodologies.

We do not allocate the following items to our segments: LIFO inventory charges/(credits); restructuring and employee severance; amortization and other acquisition-related costs; impairments and (gain)/loss on disposal of assets; litigation (recoveries)/charges, net; other income, net; interest expense, net; loss on extinguishment of debt; and provision for income taxes.

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation, and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. We encourage our segments and corporate functions to identify investment projects that will promote innovation and provide future returns. As approval decisions for such projects are dependent upon executive management, the expenses for such projects are often retained at Corporate. Investment spending within Corporate was \$5 million and \$4 million for the three months ended December 31, 2015 and 2014, respectively, and \$11 million and \$6 million for the six months ended December 31, 2015 and 2014, respectively.

The following tables present segment profit by reportable segment and Corporate:

(in millions)	Three Months Ended December 31	
	2015	2014
Pharmaceutical	\$ 627	\$ 542
Medical	106	115
Total segment profit	733	657
Corporate	(170)	(111)
<b>Total operating earnings</b>	<b>\$ 563</b>	<b>\$ 546</b>

(in millions)	Six Months Ended December 31	
	2015	2014
Pharmaceutical	\$ 1,285	\$ 992
Medical	207	229
Total segment profit	1,492	1,221
Corporate	(309)	(209)
<b>Total operating earnings</b>	<b>\$ 1,183</b>	<b>\$ 1,012</b>

The following table presents total assets for each reportable segment and Corporate at:

(in millions)	December 31, 2015	June 30, 2015
Pharmaceutical	\$ 20,464	\$ 17,385
Medical	9,741	7,095
Corporate	3,302	5,662
<b>Total assets</b>	<b>\$ 33,507</b>	<b>\$ 30,142</b>

## 14. Share-Based Compensation

### Share-Based Compensation Plans

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors, and employees.

The following tables provide total share-based compensation expense by type of award:

(in millions)	Three Months Ended December 31	
	2015	2014
Restricted share unit expense	\$ 17	\$ 18
Employee stock option expense	5	5
Performance share unit expense	4	5
<b>Total share-based compensation</b>	<b>\$ 26</b>	<b>\$ 28</b>

(in millions)	Six Months Ended December 31	
	2015	2014
Restricted share unit expense	\$ 35	\$ 34
Employee stock option expense	10	10
Performance share unit expense	11	9
<b>Total share-based compensation</b>	<b>\$ 56</b>	<b>\$ 53</b>

The total tax benefit related to share-based compensation was \$9 million for both the three months ended December 31, 2015 and 2014, and \$19 million and \$18 million for the six months ended December 31, 2015 and 2014, respectively.

### Stock Options

Employee stock options granted under the Plans generally vest in equal annual installments over three years and are exercisable for periods ranging from seven to ten years from the grant date. All stock options are exercisable at a price equal to the market value of the common shares underlying the option on the grant date.

The following table summarizes all stock option transactions under the Plans:

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2015	8	\$ 46.50
Granted	1	84.19
Exercised	(1)	40.31
Canceled and forfeited	—	—
<b>Outstanding at December 31, 2015</b>	<b>8</b>	<b>\$ 53.45</b>
<b>Exercisable at December 31, 2015</b>	<b>5</b>	<b>\$ 42.05</b>

At December 31, 2015, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was \$32 million, which is expected to be recognized over a weighted-average period of two years. The following table provides additional detail related to stock options:

(in millions, except per share amounts)	December 31, 2015	June 30, 2015
Aggregate intrinsic value of outstanding options at period end	\$ 277	\$ 281
Aggregate intrinsic value of exercisable options at period end	233	193
Weighted-average remaining contractual life of outstanding options (in years)	7	6
Weighted-average remaining contractual life of exercisable options (in years)	5	5

### Restricted Share Units

Restricted share units granted under the Plans generally vest in equal annual installments over three years. Restricted share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2015	3	\$ 59.69
Granted	1	84.22
Vested	(1)	53.96
Canceled and forfeited	—	—
<b>Nonvested at December 31, 2015</b>	<b>3</b>	<b>\$ 70.84</b>

At December 31, 2015, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was \$109 million, which is expected to be recognized over a weighted-average period of two years.

### Performance Share Units

Performance share units vest over a three-year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 200 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to performance share units under the Plans (based on target award amounts):

(in millions, except per share amounts)	Performance Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2015	0.9	\$ 50.31
Granted	0.3	84.26
Vested (1)	(0.4)	39.81
Canceled and forfeited	—	—
<b>Nonvested at December 31, 2015</b>	<b>0.8</b>	<b>\$ 62.61</b>

(1) Vested based on achievement of 133 percent of the target performance goal.

At December 31, 2015, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was \$22 million, which is expected to be recognized over a weighted-average period of two years.

## Exhibits

### Exhibit Number

### Exhibit Description

2.1	Amendment No. 1, dated as of October 2, 2015, to the Stock and Asset Purchase Agreement, dated as of March 1, 2015, by and between Ethicon, Inc. and Cardinal Health, Inc. (incorporated by reference to Exhibit 2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, File No. 1-11373)
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on July 1, 2015, File No. 1-11373)
10.1	Cardinal Health Deferred Compensation Plan, as amended and restated effective January 1, 2016
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Statement Regarding Forward-Looking Information
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

## Cardinal Health Website

We use our website as a channel of distribution for material information about us. Important information, including news releases, financial information, earnings and analyst presentations and information about upcoming presentations and events, is routinely posted and accessible on the Investors page at [ir.cardinalhealth.com](http://ir.cardinalhealth.com). In addition, our website allows investors and other interested persons to sign up to automatically receive email alerts when we post news releases, SEC filings and certain other information on our website.

# Form 10-Q Cross Reference Index

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N/A Not applicable

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 2, 2016

Cardinal Health, Inc.

/s/ GEORGE S. BARRETT

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**George S. Barrett**

**Chairman and Chief Executive Officer**

/s/ MICHAEL C. KAUFMANN

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**Michael C. Kaufmann**

**Chief Financial Officer**

**CARDINAL HEALTH  
DEFERRED COMPENSATION PLAN**

*Amended and Restated Effective January 1, 2016*

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# CARDINAL HEALTH

## DEFERRED COMPENSATION PLAN

The Cardinal Health Deferred Compensation Plan (the "Plan") is hereby amended and restated effective as of January 1, 2016 by Cardinal Health, Inc., an Ohio corporation (the "Company"), for the benefit of members of the Board of Directors of the Company and a select group of the management and highly compensated employees of the Company and of its affiliated entities which participate in this Plan with the consent of the Company.

### Background Information

A. The Company desires to continue to maintain the Plan in order to provide its Directors and certain of its highly compensated and management employees with the opportunity to defer a portion of the base salary, bonuses and other cash compensation otherwise payable to them.

B. The Company intends for the Plan to continue to be an unfunded, nonqualified deferred compensation arrangement as provided under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and to satisfy the requirements of a "top hat" plan thereunder and under Labor Reg. Sec. 2520.104-23.

C. This amended and restated Plan is intended to continue to comply with the requirements of The American Jobs Creation Act of 2004 ("AJCA"), Section 409A of the Internal Revenue Code of 1986, as amended ("Code"), and final regulations and other rulings issued by the Internal Revenue Service ("IRS") thereunder.

## ARTICLE I

### DEFINITIONS AND GENERAL PROVISIONS

1.1 Definitions. Unless the context requires otherwise, the terms defined in this Article shall have the meanings set forth below unless the context clearly requires another meaning. When the defined meaning is intended, the term is capitalized:

(a) Account. The bookkeeping account described in Section 3.4 under which benefits and earnings are credited on behalf of a Participant.

(b) Administrative Committee. The Financial Benefit Plans Committee or such other committee of at least three persons appointed by the Human Resources and Compensation Committee of the Board to oversee the administration of the Plan.

(c) Beneficiary. The person(s) entitled to receive any distribution hereunder upon the death of a Participant. The Beneficiary for benefits payable under this Plan shall be the beneficiary designated by the Participant in accordance with procedures established by the Administrative Committee as of the Participant's date of death, or, in the absence of any such designation, the Participant's estate.

(d) Board. The Board of Directors of the Company.

(e) Change of Control. For purposes of the Plan, a Change of Control means:

A. the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30 percent or more of either (i) the then outstanding Shares of the Company (the "Outstanding Shares") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this Subsection A., the following acquisitions do not constitute a Change of Control: (I) any acquisition directly from the Company or any corporation controlled by the Company, (II) any acquisition by the Company or any corporation controlled by the Company, (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (IV) any acquisition by any corporation that is a Non-Control Acquisition (as defined in Subsection C. of this Section); or

B. during any period of two consecutive years, individuals who, as of the beginning of such two-year period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of the Company; provided, however, that any individual becoming a Director subsequent to the beginning of such two-year period whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

C. consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or shares of another corporation (a "Business Combination"), unless, such Business Combination is a Non-Control Acquisition. A "Non-Control Acquisition" means a Business Combination where: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Shares and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination (including any ownership that existed in the Company

or the company being acquired, if any), and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

D. approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(f) Code. The Internal Revenue Code of 1986, as amended from time to time.

(g) Committee. The Human Resources and Compensation Committee of the Board.

(h) Company. Cardinal Health, Inc.

(i) Compensation. Amounts paid or payable by the Employer to an Eligible Employee for a Plan Year which are includable in income for federal tax purposes, including base salary and variable compensation in the form of bonuses (except as otherwise provided herein). In addition, cash dividend-equivalent payments under share unit award agreements ("Share Units") may also be deferred hereunder by Eligible Employees who are Reporting Persons in accordance with procedures established from time to time by the Committee and that comply with Code Section 409A. Notwithstanding the foregoing, the following amounts are excluded from Compensation: (i) other cash or non-cash compensation, expense reimbursements or other benefits or contributions by the Employer to any other employee benefit plan, other than pre-tax salary deferrals into the Qualified Plan or any Code Section 125 plan sponsored by the Company or any of its affiliates; (ii) any bonus payment if such bonus payment is wholly or partially payable without regard to the attainment of a Performance-Based goal (i.e., guaranteed); (iii) commissions; (iv) amounts realized (A) from the exercise of a stock option, (B) when restricted stock (or property) held by a Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture, (C) when the Shares underlying Share Units are payable to a Participant, or (D) from the sale, exchange or other disposition of stock acquired under a qualified stock option; and (iv) any amounts that are required to be withheld from a Participant's wages from the Employer pursuant to Code Section 3102 to satisfy the Participant's tax obligations under Code Section 3101. With respect to Directors, "Compensation" means any and all fees paid for service as a member of the Board, including fees for attendance at meetings or committee meetings, and cash dividend-equivalent payments under deferred settlement Share Units.

(j) Director. A member of the Board of Directors of the Company who is not also an Eligible Employee.

(k) Distribution Options. A single lump sum or annual installment payments over a period of five or ten years. Except to the extent that another Distribution Option is timely elected by a Participant in accordance with the terms of the Plan and Code Section 409A and regulations thereunder, the form of payment of the Participant's Account shall be the Standard Option.

(l) Eligible Employee. Any employee of an Employer who is (i) an employee who is a Reporting Person or (ii) (A) among a select group of management or highly compensated employees (within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA), and (B) designated by the Company as eligible to make Compensation deferral contributions under Article II of the Plan in accordance with eligibility criteria established from time to time by the Administrative Committee, the Policy Committee, the Committee or the Board. In lieu of expressly designating individual employees

as Eligible Employees, the Company may establish eligibility criteria providing for designation as Eligible Employees of all employees who satisfy such criteria.

(m) Employer. The Company and any affiliate thereof or successor thereto which adopts and participates in the Plan. Any affiliate that has U.S. employees and is a member of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc. may participate in the Plan. Such participation in the Plan shall continue only so long as the affiliate remains a member of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc.

(n) ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time.

(o) Participant. Any Director or any Eligible Employee who meets the eligibility requirements for participation in the Plan as set forth in Article II and who earns benefits under the Plan.

(p) Participation Agreement. An agreement, in written or electronic form as established by the Administrative Committee from time to time, by which a Participant agrees to defer some of his Compensation and/or makes an election of the time and/or form of payment of amounts credited to the Participant's Account in accordance with the Plan.

(q) Performance-Based. A bonus or other payment of Compensation is Performance-Based if the amount of the payment or the entitlement thereto is contingent on the satisfaction of organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. The organizational or individual performance criteria shall be established in writing no later than 90 days after the beginning of the period of service to which the criteria relate, and the outcome must be substantially uncertain at the time the criteria are established. Notwithstanding the above, a Performance-Based Bonus may be based on subjective performance criteria, provided that:

A. The subjective performance criteria are bona fide and relate to the performance of the Participant, a group of service providers that includes the Participant, or a business unit for which the Participant provides services (which may include the entire organization); and

B. the determination that any subjective performance criteria have been met is not made by the Participant or a family member of the Participant (as defined in Code Section 267(c)(4) applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a family member, and no amount of the Compensation of the person making such determination is effectively controlled in whole or in part by the Participant or such a family member.

(r) Plan. The Cardinal Health Deferred Compensation Plan, as set forth herein, and as such Plan may be amended from time to time hereafter.

(s) Plan Year. The fiscal year of the Plan, which is the 12 consecutive month period beginning January 1 and ending December 31.

(t) Policy Committee. The Benefits Policy Committee of the Company.

(u) Qualified Plan. The Cardinal Health 401(k) Savings Plan, as amended from time to time.

(v) Reporting Person. Eligible Employees and Directors who are subject to Section 16 of the Securities Exchange Act of 1934, as amended.

(w) Retirement. An Eligible Employee's Separation from Service with the Employer following attainment of age 65 or retirement from the Board of any Director.

(x) Separation from Service. An Eligible Employee separates from service with the Employer if the Eligible Employee dies, retires or otherwise has a termination of employment with the Employer. Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Employer and the Eligible Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Eligible Employee would perform after such date (as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or the full period in which the Eligible Employee provided services to the Employer if the Eligible Employee has been providing services for less than 36 months). An Eligible Employee will not be deemed to have experienced a Separation from Service if such Eligible Employee is on military leave, sick leave, or other bona fide leave of absence, to the extent such leave does not exceed a period of six months or, if longer, such longer period of time during which a right to re-employment is protected by either statute or contract. If the period of leave exceeds six months and the individual does not retain a right to re-employment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. In the case of a Director, a separation from service occurs upon the termination of the Director's service on the Board, provided, however, that a Director who is also providing services to the Employer as an independent contractor, does not have a Separation from Service until he has separated from service both as a Director and as an independent contractor. If an Eligible Employee provides services both as an employee and as a member of the Board, the services provided as a Director are generally not taken into account in determining whether the Eligible Employee has a Separation from Service as an employee for purposes of the Plan, in accordance with final regulations under Code Section 409A.

(y) Shares. The common shares, without par value, of the Company.

(z) Standard Option. A single lump sum payment.

(aa) Total Disability. Occurs when a Participant is unable to engage in any substantial gainful activity and has qualified for benefits under the Company's long term disability plan by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. A Participant shall also be deemed to be totally disabled if determined to be totally disabled by the Social Security Administration. The Company may require the Participant to submit to periodic medical examinations at the Participant's expense to confirm the existence and continuation of a Total Disability.

1.2 General Provisions. The masculine wherever used herein shall include the feminine; singular and plural forms are interchangeable. Certain terms of more limited application have been defined in the provisions to which they are principally applicable. The division of the Plan into Articles and Sections with captions is for convenience only and is not to be taken as limiting or extending the meaning of any of its provisions.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

2.1 General Eligibility Conditions. To become eligible to participate in the Plan, an individual must be (i) a Director, or (ii) an Eligible Employee. In order to receive a benefit under the Plan, however, a Participant must also meet the requirements of Sections 2.2 and 2.3. An Eligible Employee or a Director shall be considered eligible to participate in the Plan effective as of the date he first becomes a Director or an Eligible Employee in accordance with this Plan (the “Eligibility Effective Date”)

2.2 Specific Conditions for Active Participation. To participate actively in the Plan (*i.e.*, to make deferrals hereunder), a Participant must execute or acknowledge a Participation Agreement in accordance with the terms and conditions of the Plan. Each Participation Agreement shall be maintained by or on behalf of the Administrative Committee and must be executed, acknowledged, filed or submitted electronically within 30 days of the Eligibility Effective Date and, for all subsequent deferral elections after initial participation, in advance of the beginning of the calendar year during which such compensation is expected to be earned, or at such other time as may be required or permitted by regulations issued under Code Section 409A. In all cases, a Participant’s election to defer Compensation shall be made prior to the time any of the Compensation covered by such election is to be earned by such Participant. Elections to participate and defer Compensation shall be irrevocable with respect to the Compensation to which they apply and may be amended, revoked or suspended by the Participant only effective as of the January 1<sup>st</sup> following the amendment, revocation or suspension in accordance with procedures established by the Administrative Committee, unless transition rules and regulations under Code Section 409A permit amendment, revocation or suspension as of some other time. With respect to Matching, Employer Contribution Credits and Social Security Supplement Credits, the Eligible Employee must designate a time and form of payment within 30 days of the Eligibility Effective Date; provided, however, that with respect to any Participant whose initial Eligibility Effective Date occurs on or after January 1, 2016, the initial Distribution Option applicable to the portion of such Participant’s Account that is attributable to any Employer Contribution Credit and/or Social Security Matching Credit credited to such Participant’s Account during the Plan Year in which the Participant’s Eligibility Effective Date first occurs (or, to the extent that there is no Employer Contribution Credit or Social Security Matching Credit credited to such Participant’s Account during such Plan Year, any Employer Contribution Credit and/or Social Security Matching Credit credited to such Participant’s Account during the next succeeding Plan Year) shall be the Standard Option, notwithstanding any installment Distribution Option election that may be made by such Participant in accordance this Section 2.2 for the remainder of the Participant’s Account.

2.3 Suspension of Active Participation. Any Participant who ceases to be an Eligible Employee or a Director for a given Plan Year shall cease to have any right to defer Compensation for such Plan Year or to receive Matching, Employer Contribution Credits and Social Security Supplement Credits for such Plan Year. However, any amounts credited to the Account of a Participant whose participation is suspended shall otherwise continue to be maintained under the Plan in accordance with its terms, and any election to defer Compensation made by a Participant, once it has become irrevocable in accordance with the Plan, shall continue to be irrevocable with respect to Compensation to which it applies for the remainder of the Plan Year for which it is made, notwithstanding any subsequent change in the Participant’s eligibility during such Plan Year.

2.4 Termination of Participation. Once a Director or an Eligible Employee becomes a Participant, such individual shall continue to be a Participant until such individual (i) ceases to be

described as a Director or as an Eligible Employee, and (ii) ceases to have any vested interest in the Plan (as a result of distributions made to such Participant or his Beneficiary, if applicable, or otherwise).

### ARTICLE III

#### DEFERRED COMPENSATION AND MATCHING CREDITS

3.1 Deferred Compensation Credits. Pursuant to the provisions of Article II and this Article III, a Participant and the Employer may, by mutual agreement, provide for deferred and postponed payment of a percentage of the Participant's Compensation which otherwise would be paid during the applicable Plan Year(s) for services to be rendered in such year(s). Except as otherwise provided herein with respect to Performance-Based Compensation, all elections to defer Compensation must be made within 30 days after the Participant's Eligibility Effective Date and, for subsequent elections after initial eligibility, prior to the calendar year during which the Compensation is expected to be earned or at such other time as may be specified under regulations issued under the Code. In the case of the deferral of any Performance-Based Compensation, such election must be made no later than six months before the end of the performance period, provided that in no event may an election to defer Performance-Based Compensation be made after such Compensation has become readily ascertainable within the meaning of Code Section 409A. Notwithstanding the foregoing, in the case of the deferral of any Performance-Based Compensation with a performance period exceeding one year in length, the deferral election must be made no later than halfway through such performance period. If an Eligible Employee has ceased being eligible to participate in the Plan (other than the accrual of earnings on his Account, if any), regardless of whether all amounts deferred under the Plan have yet been paid, and subsequently becomes eligible to participate in the Plan again, the Eligible Employee may be treated, to the extent permitted by Code Section 409A as being initially eligible to participate in the Plan if he has not been eligible to participate in the Plan (other than the accrual of earnings on his Account, if any) at any time during the 24-month period ending on the date the employee again becomes an Eligible Employee under the Plan.

A Participant who is an Eligible Employee may defer between one percent and 50 percent of Compensation that is not Performance-Based Compensation and may make one or more separate elections for the deferral of from one percent to 80 percent of Performance-Based Compensation from each plan or arrangement offering the opportunity to earn such Compensation. A Participant who is a Director may defer between 20 percent and 100 percent of Compensation. The Company may, in its discretion, establish and change from time to time the minimum and maximum amount that may be so deferred for Participants who are not Reporting Persons. Elections shall be made in accordance with procedures established by the Administrative Committee. The Employer will credit the deferred compensation amount agreed to for each Plan Year to the Participant's Account from time to time as soon as administratively practicable after the deferred amounts otherwise would have been earned and paid to the Participant. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Deferred Compensation Credits."

In addition to the Deferred Compensation Credits described above, Reporting Persons who have elected to defer receipt of Shares to be issued under Share Units awarded on or after November 1, 2006, shall automatically have 100 percent of the cash dividend-equivalents that are vested and payable under such Share Units deferred under this Plan. Such amounts shall be referred to as "Deferred Cash Equivalent Credits." Deferred Cash Equivalent Credits are always 100 percent vested and nonforfeitable but are not eligible for Matching Credits.

3.2 Matching Credits. The Employer may, in its discretion, credit to a Participant's Account each Plan Year during which the Participant is an Eligible Employee an amount equal to a percentage

of the Participant's Deferred Compensation Credits as a matching contribution. The amount of any such contributions may vary from year to year or among Participants in the discretion of the Employer. In general, such matching contributions may be made at the same rate as is applicable to the Participant under the Qualified Plan, but only with respect to the first \$100,000 of Compensation in excess of the maximum amount of Compensation recognized under the Qualified Plan under Section 401(a)(17) of the Code. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Matching Credits." The Employer may, in its discretion, also make an additional matching contribution to the Accounts of certain Participants who have been required to forfeit Employer matching contributions under the Qualified Plan. Such contributions, if any, shall be in an amount equal to the Employer matching contribution forfeited under the Qualified Plan by an affected Participant and shall be made and allocated to the Accounts of affected Participants in the Plan Year during which such forfeitures occur. Any additional Employer matching contributions under the foregoing sentence shall be fully vested when made and subject to the distribution elections in effect with respect to the Participant's Account as of the beginning of the Plan Year in which the contribution is made.

3.3 Employer Contribution and Social Security Supplement Credits. The Employer may, in its discretion, credit to the Participant's Account each Plan Year (a) an amount equal to a percentage of the Participant's Compensation from the Employer for the fiscal year ending within the Plan Year in excess of the dollar limitation applicable to such fiscal year under Section 401(a)(17) of the Code, but not more than an excess of \$100,000 above such compensation limit, and (b) such other amount as the Employer may determine, in its sole discretion. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Employer Contribution Credits." In addition, the Employer may make an additional discretionary contribution for a Plan Year to the Participant's Account, as determined by the Employer in its discretion, equal to a percentage of the Participant's Compensation from the Employer for the fiscal year ending within the Plan Year in excess of the dollar limitation applicable to such fiscal year under Section 401(a)(17) of the Code, but not more than an excess of \$100,000 above such compensation limit, for the purpose of supplementing the benefits the Participant will receive at retirement under the Social Security program. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Social Security Supplement Credits." Contributions made to Participant Accounts under this Section may be subject to additional requirements as established from time to time by the Policy Committee, such as a requirement to be employed on the last day of the year for which such contribution is made. The Employer may, in its discretion, also make an additional contribution to the Accounts of certain Participants who have been required to forfeit Employer contributions (other than matching contributions) under the Qualified Plan. Such contributions, if any, shall be in an amount equal to the Employer contribution forfeited under the Qualified Plan by an affected Participant and shall be made and allocated to the Accounts of affected Participants in the Plan Year during which such forfeitures occur. Any additional Employer contributions under the foregoing sentence shall be subject to the vesting requirements applicable to Employer Contribution Credits and the distribution elections in effect with respect to the Participant's Account as of the beginning of the Plan Year in which the contribution is made.

3.4 Record of Account. Solely for the purpose of measuring the amount of the Employer's obligations to each Participant or his beneficiaries under the Plan, the Employer will maintain a separate bookkeeping record, an "Account," for each Participant in the Plan. The Company, in its discretion, may either credit a hypothetical earnings rate to the Participant's Account balance for the Plan Year, or may actually invest an amount equal to the amount credited to the Participant's Account from time to time in an account or accounts in its name with investment media or companies, which investment

options may include some or all of those used for investment purposes under the Qualified Plan, as determined by the Company in its discretion. The Company may also establish a deferred compensation trust that qualifies as a so-called “rabbi” trust meeting applicable requirements of Code Section 409A. The Participant may change the allocation of his Account among the applicable investment alternatives then available under the Plan in accordance with procedures established by the Administrative Committee from time to time. In no event, however, shall a Participant who is a Reporting Person be permitted to change any amounts invested in any other investment alternative to a Cardinal Stock Account (as defined below). In addition, a Participant who is a Reporting Person shall not be permitted to change any investment in a Cardinal Stock Account to any other investment alternative. After a Participant ceases to be a Reporting Person, such Participant may again change investments into or out of a Cardinal Stock Account in accordance with rules established by the Administrative Committee and without regard to the above restrictions. The Company is not obligated to make any particular investment options available, however, if investments are in fact made, and may, from time to time in its sole discretion, change the investment alternatives. Nothing herein shall be construed to confer on the Participant the right to continue to have any particular investment available.

The Company will credit the Participant’s Account with hypothetical or actual earnings or losses at least quarterly based on the earnings rate declared by the Company or the performance results of the Employer’s account(s) invested pursuant to the Company’s or the Participant’s directions, and shall determine the fair market value of the Participant’s Account based on the bookkeeping record or the fair market value of the portion of the Employer’s accounts representing the Participant’s Account. The determination of the earnings, losses or fair market value of the Participant’s Account may be adjusted by the Company to reflect its payroll, income or other taxes or costs associated with the Plan, as determined by the Company in its sole discretion.

3.5 Special Rules Applicable to Investments in Shares. Subject to the provisions of this Article III, a Participant may also elect to have all or a portion of his Account, but not including any Deferred Cash Equivalent Credits, to be deemed invested in Shares (such dollar amounts shall be referred to as the “Share Election Accumulations”). On the date when the amounts to be credited to the Participant’s Share Election Accumulations are otherwise allocated to his Account, the Company will credit to a separate sub-account (the Participant’s “Cardinal Stock Account”) a number of hypothetical Shares (and fractions thereof) having a Value equal to the Share Election Accumulations. For purposes of this Plan, the “Value” of a Share on a particular day shall mean the closing trading price of a Share on the New York Stock Exchange on that day (or, if there is no trading of the Shares on that day, on the most recent previous date on which trading occurred). With respect to any Director, any election made pursuant to this Section shall be irrevocable for all amounts credited to a Participant’s Account during the Plan Year for which the election is made. Any election made by a Director pursuant to this Section shall remain in effect for amounts credited to the Participant’s Account in subsequent Plan Years unless the Participant delivers a written notice to the Secretary of the Company setting forth a different investment election or otherwise makes a different investment election in accordance with procedures established by the Committee from time to time. Any such change in investment election shall be applied to future Plan Years until further notice is given by the Participant changing the election in accordance with the requirements of this Section. Except for Directors, no other Reporting Person may elect to invest future contributions in his Account in Shares. Such other Reporting Person may again elect to invest future contributions in his Account in Shares subject to this Section 3.5 after he ceases to be a Reporting Person.

If any Organic Change shall occur, then the Committee shall make such substitutions or adjustments as it deems appropriate and equitable to each Participant’s Cardinal Stock Account (if any).

In the case of Organic Changes, such adjustments may include, without limitation, (x) the cancellation of outstanding Shares in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Shares, as determined by the Committee in its sole discretion, (y) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares, and (z) in connection with any Disaffiliation, arranging for the assumption or replacement of Shares with new shares based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected subsidiary, affiliate or division or by the entity that controls such subsidiary, affiliate or division following such Disaffiliation (as well as any corresponding adjustments to awards that remain based upon Company securities). An “Organic Change” includes (i) a stock dividend, stock split, reverse stock split, share combination, or recapitalization or similar event affecting the capital structure of the Company (each, a “Share Change”), or (ii) a merger, consolidation, acquisition of property or shares, separation, spin-off, reorganization, stock rights offering, liquidation, disaffiliation from the Company of a subsidiary or division (“Disaffiliation”), or similar event affecting the Company or any of its subsidiaries (each, an “Organic Change”). If the assets held in the Participant’s Cardinal Stock Account immediately after such adjustment are not equity securities, then the Participant shall be permitted to re-direct the investment thereof into the other investment choices then available under this Plan.

In the case of the Cardinal Stock Account (if any) of a Participant other than a Reporting Person (as of the Dividend Payment Date), the earnings (or losses) credited to such account shall consist solely of dividend equivalent credits pursuant to this paragraph. Whenever a dividend or other distribution is made with respect to the Shares, then the Cardinal Stock Account of a Participant who is not a Reporting Person (as of the Dividend Payment Date) shall be credited, on the payment date for such dividend or other distribution (the “Dividend Payment Date”), with a number of additional Shares having a Value, as of the Dividend Payment Date, based upon the number of Shares deemed to be held in the Participant’s Cardinal Stock Account as of the record date for such dividend or other distribution (the “Dividend Record Date”), if such Shares were outstanding. If such dividend or other distribution is in the form of cash, the number of Shares so credited shall be a number of Shares (and fractions thereof) having a Value, as of the Dividend Payment Date, equal to the amount of cash that would have been distributed with respect to the Shares deemed to be held in the Participant’s Cardinal Stock Account as of the Dividend Record Date, if such Shares were outstanding. If such dividend or other distribution is in the form of Shares, the number of Shares so credited shall equal the number of such Shares (and fractions thereof) that would have been distributed with respect to the Shares deemed to be held in the Participant’s Cardinal Stock Account as of the Dividend Record Date, if such Shares were outstanding. If such dividend or other distribution is in the form of property other than cash or Shares, the number of Shares so credited shall be a number of Shares (and fractions thereof) having a Value, as of the Dividend Payment Date, equal to the value of the property that would have been distributed with respect to the Shares deemed to be held in the Participant’s Cardinal Stock Account as of the Dividend Record Date, if such Shares were outstanding. The value of such property shall be its fair market value as of the Dividend Payment Date, determined by the Board based upon market trading if available and otherwise based upon such factors as the Board deems appropriate.

With respect to a Participant who is a Reporting Person on the Dividend Payment Date, the cash value of the dividend or other distribution shall be invested in an alternate investment option under the Plan, as determined by the Administrative Committee in its sole discretion. To the extent that the dividend or other distribution is made in a form other than cash, the Shares or other property shall be liquidated to cash as soon as administratively practicable and thereafter invested as indicated herein.

## ARTICLE IV

### VESTING

4.1 Vesting. A Participant always will be 100 percent vested in amounts credited to his Account as Deferred Compensation Credits, Deferred Cash Equivalent Credits, Matching Credits made on or after January 1, 2005 and earnings allocable thereto. The Participant or his Beneficiaries shall be entitled to benefits from Matching Credits made prior to January 1, 2005, Employer Contribution Credits and Social Security Supplement Credits allocated to his Account by the Employer, and earnings thereon, only upon satisfaction of the vesting requirements of this Article IV. The Participant shall become 100 percent vested in his Account upon his Retirement, death, or Total Disability. The Participant shall also become 100 percent vested in his Account if the Participant is terminated by the Company without Cause or the Participant terminates employment with the Company for Good Reason within two years after a Change of Control. For this purpose, "Cause" means termination of employment by the Company on account of any act of fraud or intentional misrepresentation or embezzlement, intentional misappropriation, or conversion of assets of the Company or any affiliate, or the intentional and repeated violation of the written policies or procedures of the Company, provided that for a Participant who is party to an individual severance or employment agreement defining Cause, "Cause" has the meaning set forth in such agreement. For purposes of the Plan, a Participant's termination will not be deemed to be a termination without "Cause" if, after the Participant's employment has terminated, facts and circumstances are discovered that would have, in the opinion of the Committee, met the definition of "Cause." For this purpose, "Good Reason" means, unless otherwise provided in an individual severance or employment agreement to which the Participant is a party, termination by the Participant on account of any of the following: (i) a material reduction in the Participant's total compensation; (ii) a material reduction in the Participant's annual or long-term incentive opportunities (including a material adverse change in the method of calculating the Participant's annual or long-term incentives); (iii) a material diminution in the Participant's duties, responsibilities, or authority; or (iv) a relocation of more than 50 miles from the Participant's office or location, except for travel reasonably required in the performance of the Participant's responsibilities. If the Participant has a Separation from Service with the Employer for any reason other than Retirement, death, Total Disability, or following a Change of Control under the circumstances described above, all rights of the Participant, his Beneficiaries, executors, administrators, or any other person to receive benefits under this Plan derived from amounts credited as Matching Credits made prior to January 1, 2005, Employer Contribution Credits and Social Security Supplement Credits shall vest as of the date that the Participant has completed three Years of Service with the Employer. A "Year of Service" for this purpose means a period of 12 consecutive calendar months during which the Participant was employed by the Employer, defined to include all members of a controlled group of corporations or other business entities within the meaning of Code Sections 414 (b) and (c) that includes Cardinal Health, Inc. If a Participant has a Separation from Service before that date (other than due to a Change of Control, Retirement, death or Total Disability), all Matching Credits made prior to January 1, 2005, Employer Contribution Credits and Social Security Supplement Credits shall be forfeited. If the Participant has a Separation from Service but is subsequently re-employed by the Employer, no benefits forfeited hereunder shall be reinstated unless otherwise determined by the Company in its sole discretion. A Participant who has completed one Year of Service but less than three Years of Service and is terminated from employment under the terms of a designated reduction in force, a divestiture or designated layoff, shall receive additional ratable vesting credit hereunder determined by multiplying the portion of this Account that is subject to the vesting provisions of this Section 4.1 by a fraction, the numerator of which is the Participant's calendar months of service calculated from his or her date of hire and the denominator of which is 36, and by rounding the product up to the next whole percentage. A month of service shall be included in the calculation of additional vesting credit under

this Section if the Participant has performed at least one hour of service during the calendar month. In no event shall a Participant be more than 100 percent vested in any amounts credited to his Account.

4.2 Confidentiality and Non-Competition Agreement. In its discretion, the Employer may require any Eligible Employee selected to become a Participant in the Plan to execute a Confidentiality and Non-Competition Agreement with the Employer in consideration of the benefits to be provided hereunder.

## ARTICLE V

### DISTRIBUTION OF BENEFITS

5.1 Distribution Timing. A Participant shall receive payment of the amounts credited to his Account upon his Separation from Service due to Retirement or any other reason, or upon his death or Total Disability. The Participant will begin to receive the amount credited to his Account as of such date beginning on the first regular payment processing date to occur at least six months after the date of the Participant's Separation from Service for reasons other than death or Total Disability. The regular payment processing dates shall be the first business day coinciding with or next following January 15 and July 15 of each calendar year. If payment is to be made in a lump sum, it shall occur on the first regular payment processing date as described above. If payment is to be made in annual installments, it shall commence on such first regular payment processing date, with subsequent annual installments to occur on the same regular payment processing date each year thereafter until the Participant's Account is distributed in full. In the case of a Participant's death or Total Disability before payment of the Participant's Account has commenced, the Participant (or the Participant's Beneficiaries) will receive or begin to receive the amount credited to his Account on the 15<sup>th</sup> of the month following notice to the record keeper for the Plan of the Participant's death or Total Disability, or as soon as administratively practicable, but not more than 90 days, after the date of death or Total Disability. Payment of all such amounts will be made in accordance with the deferral election made under Section 5.5, which may provide for a different time or form of payment for distributions made upon death or Total Disability. In addition, in the case of the deferral of Performance-Based Compensation under the Long Term Incentive Cash Program, payment of all such amounts credited to a Participant's Account will be made in accordance with the separate deferral election made for such amounts under Section 3.1, which may provide for a different time or form of payment from other amounts credited to the Participant's Account.

5.2 Distribution upon Retirement or Other Separation from Service; Form of Payment. Upon Retirement or Separation from Service other than due to death or Disability, the Participant shall be eligible to receive payment of the amounts credited to the Participant's Account in the Standard Option commencing as of the date specified in Section 5.1, above. Alternatively, a Participant may elect another Distribution Option at the time of initial enrollment in the Plan (subject to such limitations as are set forth in the Plan, including in Section 2.2 hereof). The Participant may make a one-time election to change his election of a Distribution Option pursuant to an election made during the annual deferral election period prior to the beginning of a Plan Year, provided said election is made at least 12 months prior to the date that payments would have otherwise begun under such option and provided that payments will also be deferred to a new commencement date that is at least five years later than the original commencement date (i.e., five years after the date of the Participant's Separation from Service). A Participant may not change a Distribution Option or a distribution date in a manner that does not comply with Code Section 409A. If a Distribution Option election is made or changed and distribution is triggered before 12 months have elapsed, the distribution will be made in accordance with the Distribution Option election in effect prior to the change or, if none, in accordance with the Standard Option. If an annual installment payment method is the selected Distribution Option, the amount of the annual benefit

shall equal the amount necessary to fully distribute the Participant's Account as an annual benefit payable over the installment period, consistent with the following methodology: the amount payable as the annual installment shall equal the value of the Participant's Account as of the most recent Account valuation date, multiplied by a fraction, the numerator of which is one and the denominator of which is the number of annual installments remaining in the installment period elected by the Participant. For example, assuming a 10 year installment payment period applies, the amount distributed at each of the distribution dates would represent the value of the Participant's Account as of the most recent valuation date preceding the actual distribution date times the following factors: year one – 10 percent (1/10); year two – 11.11 percent (1/9); year three – 12.5 percent (1/8); year four – 14.29 percent (1/7); year five – 16.66 percent (1/6); year six – 20 percent (1/5); year seven – 25 percent (1/4); year eight – 33.33 percent (1/3); year nine – 50 percent (1/2) and year ten – 100 percent (1/1). The Participant must provide the Employer advance notice of his intention to retire and receive benefits hereunder in accordance with uniform procedures established by the Administrative Committee. Payments of amounts credited to the Participant's Account will be made in U.S. dollars, including amounts credited to the Participant's Cardinal Stock Account, if any.

5.3 Distribution upon Death. In the event of the death of the Participant while receiving benefit payments under the Plan, the Beneficiary or Beneficiaries designated by the Participant shall be paid the remaining payments due under the Plan in accordance with the method of distribution in effect to the Participant at the date of death. In the event of the death of the Participant prior to the commencement of the distribution of benefits under the Plan, such benefits shall be paid to the Beneficiary or Beneficiaries designated by the Participant, beginning as soon as practicable after the Participant's death.

5.4 Distribution in the Event of Total Disability. Upon the Participant's Total Disability, the Participant shall be eligible to receive payment of the amounts credited to his Account commencing as soon as practicable after the Administrative Committee is satisfied of the determination of the existence of a Total Disability with respect to such Participant. Total Disability shall be considered to have ended and entitlement to a disability benefit shall cease if the Participant (i) is re-employed by the Employer or one of its affiliates, or (ii) engages in any substantial gainful activity, except for such employment as is found by the Administrative Committee in its sole discretion to be for the primary purpose of rehabilitation or not incompatible with a finding of Total Disability. If entitlement to a disability benefit ceases in accordance with the provisions of this paragraph, the Participant shall not be prevented from qualifying for a benefit under another provision of the Plan. Notwithstanding the foregoing, in no event shall Disability payments cease to a Participant if to do so would violate Code Section 409A.

5.5 Form of Payment upon Death or Total Disability. Benefits payable upon death or Total Disability shall be paid in the Standard Option unless another Distribution Option was timely elected by the Participant upon initial enrollment in the Plan (and subject to such limitations as are set forth in the Plan, including in Section 2.2 hereof) or at least 12 months prior to his death or Total Disability. Each Participant may elect a Distribution Option to apply to distributions made upon death or Total Disability that is different from the Distribution Option applicable to other payment events. The Participant may make a one-time election to change his election of a Distribution Option for death or Total Disability pursuant to an election made during the annual deferral election period prior to the beginning of a Plan Year, provided said election is made at least 12 months prior to the date that payments would have otherwise begun under such option. If a Distribution Option election is made or changed after initial enrollment and the Participant dies or suffers a Total Disability before 12 months have elapsed, the distribution will be made in accordance with the Distribution Option in effect prior to the change or, if none, in accordance with the Standard Option.

5.6 Lump Sum Distribution of Small Amounts or upon a Change of Control. If the value of a Participant's entire Account as of the date it becomes distributable is not greater than the applicable dollar amount under Section 402(g)(1)(B) of the Code, then the Participant's entire Account balance shall be payable as a single lump sum notwithstanding any other election that may be in effect. In addition, if a Participant has a Separation from Service within two years of a change of control of the Company (as defined in Treasury Regulations Section 1.409A-3(i)(5)), then the Participant's Account shall be payable in a single lump sum on the first regular payment processing date next following the Participant's Separation from Service following the change of control, and alternative elections in effect by the Participant shall no longer apply. Notwithstanding the foregoing, if the Participant is a "specified employee" (determined in accordance with Treasury Regulations issued under Code Section 409A) for the year in which the Separation from Service occurs, such lump sum payment shall be made on the first business day that is at least six months after the Separation from Service occurs.

5.7 Withdrawals for Unforeseeable Emergency. Upon the occurrence of an unforeseeable emergency, the Participant shall be eligible to receive payment of the amount necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the participant's assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. The amount determined to be properly distributable under this section and applicable regulations under Code Section 409A shall be payable in a single lump sum only. For the purposes of this section, the term "unforeseeable emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent of the Participant (as defined in Code Section 152(a)); loss of the Participant's property due to casualty, including the need to rebuild a home following damage not otherwise covered by insurance, for example, not as a result of a natural disaster; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, including imminent foreclosure of or eviction from the Participant's primary residence, the need to pay for medical expenses, including non-refundable deductibles, the cost of prescription drugs, and the need to pay for funeral expenses of a spouse, beneficiary, or dependent. It shall be the responsibility of the Participant seeking to make a withdrawal under this section to demonstrate to the Administrative Committee that an unforeseeable emergency has occurred and to document the amount properly distributable hereunder. After a distribution on account of an unforeseeable emergency, a Participant's deferral elections shall cease and such Participant will not be permitted to participate in the Plan or elect additional deferrals until the next enrollment following one full year from the date of the distribution on account of an unforeseeable emergency. Such future deferral elections following a distribution on account of an unforeseeable emergency will be treated as an initial deferral election and subject to the rules applicable thereto under the Plan and Code Section 409A.

5.8 Acceleration of Payment. The acceleration of the time and/or form of any payment determined in accordance with the provisions of this Article V, above, shall not be made except due to unforeseeable emergency, as described above, or as set forth below and otherwise permitted by Code Section 409A and the Treasury Regulations and other guidance issued thereunder:

(a) Domestic Relations Order. A payment of all or part of the Participant's Account may be made to a spouse, former spouse or other dependent under the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)). The Administrative Committee shall determine whether a

payment should be made pursuant to the terms of a domestic relations order and the time and form of such payment.

(b) Employment Taxes. A payment of all or part of the Participant's Account may be made to the extent necessary to pay the Federal Insurance Contributions Act ("FICA") tax imposed under Code Sections 3101, 3121(a), and 3121(v)(2) on amounts deferred under the Plan (the "FICA Amount"), income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA Amount, and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. The total payment under this Section shall not exceed the aggregate of the FICA Amount and the income tax withholding related to such FICA Amount.

(c) Payment of State, Local or Foreign Taxes. Payment may be made to reflect payment of state, local or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the Participant, plus the income tax at source on wages imposed under Code Section 3401 as a result of such payment; provided, however, that the amount of the payment may not exceed the amount of the taxes due, and the income tax withholding related to such state, local and foreign tax amount.

(d) Income Inclusion under Code Section 409A. Payment may be made at any time the Plan fails to meet the requirements of Code Section 409A and the Treasury Regulations issued thereunder; provided, however, that payment cannot exceed the amount required to be included in income as a result of the failure to comply.

(e) Certain Offsets. Payment may be made as satisfaction of a debt of the Participant to the Employer where: (1) the debt is incurred in the ordinary course of the employment relationship; (2) the entire amount of the offset in any of the Participant's taxable years does not exceed \$5,000; and (3) the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

5.9 Delay of Payment. The Company may in its discretion delay any payment due under the Plan to the extent permitted by Code Section 409A and the regulations thereunder.

5.10 Assignment and Assumption of Liabilities. In the discretion of the Company, upon the cessation of participation in the Plan by any Participant solely due to the employer of that Participant no longer qualifying as a member of the controlled group of Cardinal Health, Inc. within the meaning of Code Sections 414(b) and (c), all liabilities associated with the Account of such Participant may be transferred to and assumed by the Participant's employer under a deferred compensation plan established by such employer that is substantially identical to this Plan and that preserves the deferral and payment elections in effect for the Participant under this Plan to the extent required by Code Section 409A. Any such Participant shall not be deemed to have incurred a Separation from Service for purposes of the Plan by virtue of his employer's ceasing to be a member of the controlled group of Cardinal Health, Inc. The foregoing provision shall be interpreted and administered in compliance with the requirements of Code Section 409A.

## ARTICLE VI

### PLAN ADMINISTRATION

6.1 Administration. The Plan shall be administered by the Administrative Committee as an unfunded deferred compensation plan that is not intended to meet the qualification requirements of Code Section 401 and that is intended to meet all applicable requirements of Code Section 409A.

6.2 Administrative Committee. The Administrative Committee will operate and administer the Plan and shall have all powers necessary to accomplish that purpose, including, but not limited to, the discretionary authority to interpret the Plan, the discretionary authority to determine all questions relating to the rights and status of Eligible Employees and Participants, and the discretionary authority to make such rules and regulations for the administration of the Plan as are not inconsistent with the terms and provisions hereof or applicable law, as well as such other authority and powers relating to the administration of the Plan, except such as are reserved by the Policy Committee or by the Plan to the Policy Committee, the Committee or the Board. All decisions made by the Committee, the Policy Committee or the Administrative Committee shall be final.

Without limiting the powers set forth herein, the Administrative Committee shall have the power (i) to change or waive any requirements of the Plan to conform with Code Section 409A or other applicable law or to meet special circumstances not anticipated or covered in the Plan; (ii) to determine the times and places for holding meetings of the Administrative Committee and the notice to be given of such meetings; (iii) to employ such agents and assistants, such counsel (who may be counsel to the Company), and such clerical and other services as the Administrative Committee may require in carrying out the provisions of the Plan; and (iv) to authorize one or more of their number or any agent to execute or deliver any instrument on behalf of the Administrative Committee.

The members of the Administrative Committee, the Policy Committee, the Committee, and the Company and its officers and directors, shall be entitled to rely upon all valuations, certificates and reports furnished by any funding agent or service provider, upon all certificates and reports made by an accountant, and upon all opinions given by any legal counsel selected or approved by the Administrative Committee, and the members of the Administrative Committee, the Policy Committee, the Committee, and the Company and its officers and directors shall, except as otherwise provided by law, be fully protected in respect of any action taken or suffered by them in good faith in reliance upon any such valuations, certificates, reports, opinions or other advice of a funding agent, service provider, accountant or counsel.

6.3 Statement of Participant's Account. The Administrative Committee shall, as soon as practicable after the end of each Plan Year, provide to each Participant a statement setting forth the Account of such Participant under Section 3.4 as of the end of such Plan Year. Such statement shall be deemed to have been accepted as correct unless written notice to the contrary is received by the Administrative Committee within 30 days after providing such statement to the Participant. Account statements may be provided more often than annually in the discretion of the Administrative Committee.

6.4 Filing Claims. Any Participant, Beneficiary or other individual (hereinafter a "Claimant") entitled to benefits under the Plan, or otherwise eligible to participate herein, shall be required to make a claim with the Administrative Committee (or its designee) requesting payment or distribution of such Plan benefits (or written confirmation of Plan eligibility, as the case may be), on such form or in such manner as the Administrative Committee shall prescribe. Unless and until a Claimant makes proper

application for benefits in accordance with the rules and procedures established by the Administrative Committee, such Claimant shall have no right to receive any distribution from or under the Plan.

6.5 Notification to Claimant. If a Claimant's application is wholly or partially denied, the Administrative Committee (or its designee) shall, within 90 days, furnish to such Claimant a written notice of its decision. Such notices shall be written in a manner calculated to be understood by such Claimant, and shall contain at least the following information:

- (i) the specific reason or reasons for such denial;
- (ii) specific reference to pertinent Plan provisions upon which such denial is based;
- (iii) a description of any additional material or information necessary for such Claimant to perfect his claim, and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure describing the steps to be taken by such Claimant, if he wishes to submit his claim for review.

6.6 Review Procedure. Within 60 days after the receipt of such notice from the Administrative Committee, such Claimant, or the duly authorized representative thereof, may request, by written application to the Plan, a review by the Administrative Committee (the Committee in the case of Reporting Persons) of the decision denying such claim. In connection with such review, such Claimant, or duly authorized representative thereof, shall be entitled to receive any and all documents pertinent to the claim or its denial and shall also be entitled to submit issues and comments in writing. The decision of the Administrative Committee (the Committee in the case of Reporting Persons) upon such review shall be made promptly and not later than 60 days after the receipt of such request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days after the Administrative Committee's (the Committee's in the case of Reporting Persons) receipt of a request for review. Any such decision on review shall be in writing and shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. In the event of a genuine dispute regarding the amount or timing of payments under the Plan, a delay in the payment of Plan benefits shall not cause a violation of Code Section 409A to the extent such delay satisfies the conditions set forth in Code Section 409A and the regulations thereunder.

6.7 Payment of Expenses. All costs and expenses incurred in administering the Plan shall be paid from the Plan unless the Company elects to pay the costs and expenses.

## ARTICLE VII

### AMENDMENT AND TERMINATION

7.1 Amendment. The Company has reserved, and does hereby reserve, the right at any time and from time to time by action of the Board or the Committee (or by action of the Policy Committee or the Administrative Committee if and to the extent that the Board or the Committee has delegated the authority to amend the provisions of the Plan to either such committee) to amend, modify or alter any or all of the provisions of the Plan without the consent of any Eligible Employees or Participants; provided, however, that no amendment shall operate retroactively so as to affect adversely any rights to which a Participant may be entitled under the provisions of the Plan as in effect prior to such action. Any such amendment, modification or alteration shall be expressed in an instrument executed by an

authorized officer or officers of the Company, and shall become effective as of the date designated in such instrument.

7.2 Termination. The Company reserves the right to suspend, discontinue or terminate the Plan, at any time in whole or in part; provided, however, that a suspension, discontinuance or termination of the Plan shall not accelerate the obligation to make payments to any person not otherwise currently entitled to payments under the Plan, unless otherwise specifically so determined by the Company and permitted by Code Section 409A (including a termination and liquidation of the Plan by the Company in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)) and applicable law, relieve the Company of its obligations to make payments to any person then entitled to payments under the Plan, or reduce any existing Account balance.

## ARTICLE VIII

### MISCELLANEOUS PROVISIONS

8.1 Employment Relationship. For purposes of determining if there has been a Separation from Service, the Employer is defined to include all members of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc. as modified by this Section. A Participant shall be considered to be in the employ of the Employer and its related affiliates and subsidiaries as long as he remains an employee of the Company, any subsidiary corporation of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. For this purpose, a subsidiary corporation of the Company is any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, as of the date such determination is to be made, each of the corporations other than the last corporation in the unbroken chain owns stock possessing greater than 50 percent of the total combined voting power of all classes of stock in one of the other corporations in such chain. Nothing in the adoption of the Plan or the crediting of deferred compensation shall confer on any Participant the right to continued employment by the Company or an affiliate or subsidiary corporation of the Company, or affect in any way the right of the Company or such affiliate or subsidiary to terminate his employment at any time. Any question as to whether and when there has been a Separation from Service of a Participant's employment, and the cause of such Separation from Service, shall be determined by the Administrative Committee, and its determination shall be final.

8.2 Facility of Payments. Whenever, in the opinion of the Administrative Committee, a person entitled to receive any payment, or installment thereof, is under a legal disability or is unable to manage his financial affairs, the Administrative Committee shall have the discretionary authority to direct payments to such person's legal representative or to a relative or friend of such person for his benefit; alternatively, the Administrative Committee may in its discretion apply the payment for the benefit of such person in such manner as the Administrative Committee deems advisable. Any such payment or application of benefits made in good faith in accordance with the provisions of this Section shall be a complete discharge of any liability of the Administrative Committee with respect to such payment or application of benefits.

8.3 Funding. All benefits under the Plan are unfunded and the Company shall not be required to establish any special or separate fund or to make any other segregation of assets in order to assure the payment of any amounts under the Plan; provided, however, that in order to provide a source of payment for its obligations under the Plan, the Company may establish a trust fund, provided that the assets of any such trust shall remain subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency, and further provided that no assets will be transferred to or set

aside in any such trust at a time or in a manner that would result in a violation of Section 409A. The right of a Participant or his Beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor his Beneficiary shall have any rights in or against any amounts credited under the Plan or any other specific assets of the Company. All amounts credited under the Plan to the benefit of a Participant shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

8.4 Anti-Assignment. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge; and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit shall be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefits. If a Participant, a Participant's spouse, or any Beneficiary should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to benefits under the Plan, then those rights, in the discretion of the Administrative Committee, shall cease. In this case, the Administrative Committee may hold or apply the benefits at issue or any part thereof for the benefit of the Participant, the Participant's spouse, or Beneficiary in such manner as the Administrative Committee may deem proper.

8.5 Unclaimed Interests. If the Administrative Committee shall at any time be unable to make distribution or payment of benefits hereunder to a Participant or any Beneficiary of a Participant by reason of the fact that his whereabouts is unknown, the Administrative Committee shall so certify, and thereafter the Administrative Committee shall make a reasonable attempt to locate such missing person. If such person continues missing for a period of three years following such certification, the interest of such Participant in the Plan shall, in the discretion of the Administrative Committee, be distributed to the Beneficiary of such missing person.

8.6 References to Code, Statutes and Regulations. Any and all references in the Plan to any provision of the Code, ERISA, or any other statute, law, regulation, ruling or order shall be deemed to refer also to any successor statute, law, regulation, ruling or order.

8.7 Liability. The Company, and its directors, officers and employees, shall be free from liability, joint or several, for personal acts, omissions, and conduct, and for the acts, omissions and conduct of duly constituted agents, in the administration of the Plan, except to the extent that the effects and consequences of such personal acts, omissions or conduct shall result from willful misconduct. However, this Section shall not operate to relieve any of the aforementioned from any responsibility or liability for any responsibility, obligation, or duty that may arise under ERISA.

8.8 Tax Consequences of Compensation Reductions. The income tax consequences to Participants of Compensation reductions under the Plan shall be determined under applicable federal, state and local tax law and regulation. It is intended that the Plan will comply with the provisions of Code Section 409A, and the Plan will be construed, administered and governed in a manner that effects such intent. Although the Company shall use its best efforts to avoid the imposition of taxation, interest or penalties under Section 409A of the Code, the tax treatment of deferrals under the Plan is not warranted or guaranteed.

8.9 Company as Agent for Related Employers. Each corporation which shall become a participating employer pursuant to Section 2.5 by so doing shall be deemed to have appointed the Company its agent to exercise on its behalf all of the powers and authority hereby conferred upon the Company by the terms of the Plan, including but not limited to the power to amend and terminate the

Plan. The Company's authority shall continue unless and until the related employer terminates its participation in the Plan.

8.10 Governing Law; Severability. The Plan shall be construed according to the laws of the State of Ohio, including choice of law provisions, and all provisions hereof shall be administered according to the laws of that State, except to the extent preempted by federal law. A final judgment in any action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. In the event that any one or more of the provisions of the Plan shall for any reason be held to be invalid, illegal, or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of the Plan, but the Plan shall be construed as if such invalid, illegal, or unenforceable provisions had never been contained herein, and there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties to the extent permitted by applicable law.

8.11 Taxes. The Company shall be entitled to withhold any taxes from any distribution hereunder or from other compensation then payable, or to require a Participant to pay or to make arrangements satisfactory to the Company for the payment of such taxes, as the Company believes necessary, appropriate, or required under relevant law.

## Cardinal Health, Inc. and Subsidiaries

### Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)	Fiscal Year Ended June 30					Six Months Ended December 31, 2015
	2011	2012	2013	2014	2015	\$
Earnings before income taxes	\$ 1,518.3	\$ 1,698.1	\$ 888.3	\$ 1,798.3	\$ 1,967.3	\$ 1,087.3
<b>Plus fixed charges:</b>						
Interest expense	95.2	92.3	119.2	129.4	137.0	89.3
Capitalized interest	5.7	6.0	1.7	1.2	1.8	2.1
Amortization of debt offering costs	1.8	2.8	3.5	3.6	7.6	2.8
Interest portion of rent expense	7.1	7.8	8.3	9.8	9.6	5.5
<b>Fixed charges</b>	<b>109.8</b>	<b>108.9</b>	<b>132.7</b>	<b>144.0</b>	<b>156.0</b>	<b>99.7</b>
Plus: amortization of capitalized interest	5.3	3.2	3.4	2.9	2.4	1.2
Less: capitalized interest	(5.7)	(6.0)	(1.7)	(1.2)	(1.8)	(2.1)
<b>Earnings</b>	<b>\$ 1,627.7</b>	<b>\$ 1,804.2</b>	<b>\$ 1,022.7</b>	<b>\$ 1,944.0</b>	<b>\$ 2,123.9</b>	<b>\$ 1,186.1</b>
<b>Ratio of earnings to fixed charges (1)</b>	<b>14.8</b>	<b>16.6</b>	<b>7.7</b>	<b>13.5</b>	<b>13.6</b>	<b>11.9</b>

- (1) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings before income taxes plus fixed charges and capitalized interest. Fixed charges include interest expense, amortization of debt offering costs and the portion of rent expense that is deemed to be representative of the interest factor. Interest expense recorded on tax exposures has been recorded in income tax expense and has therefore been excluded from the calculation.

I, George S. Barrett, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2016

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

I, Michael C. Kaufmann, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2016

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

**Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Each of George S. Barrett, Chairman and Chief Executive Officer of Cardinal Health, Inc. (the "Company"), and Michael C. Kaufmann, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 2, 2016

/s/ GEORGE S. BARRETT

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George S. Barrett

Chairman and Chief Executive Officer

/s/ MICHAEL C. KAUFMANN

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Michael C. Kaufmann

Chief Financial Officer

## Statement Regarding Forward-Looking Information

As used in this exhibit, “we,” “our,” “us” and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (the “2015 Form 10-K”), our quarterly reports on Form 10-Q or our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- increasing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services;
- uncertainties due to government healthcare reform;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- material reductions in purchases, non-renewal or early termination of contracts, or delinquencies or defaults by key customers;
- risks associated with the generic pharmaceutical sourcing venture with CVS Health Corporation, including those relating to our ability to realize and maintain the benefits from the sourcing venture;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration (“DEA”), the U.S. Food and Drug Administration and other agencies within the U.S. Department of Health and Human Services, including the Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights, the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance agencies, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- the possibility of civil fines levied against us (in excess of the reserve we have accrued) by the U.S. Department of Justice for conduct covered by the settlement agreement that we entered into in connection with the DEA’s suspension of our Lakeland, Florida distribution center’s registration to distribute controlled substances;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- changes in manufacturers’ pricing, selling, inventory, distribution or supply policies or practices;
- changes in regulatory policies regarding pharmaceutical manufacturer product pricing practices;
- changes in hospital buying groups or hospital buying practices;
- changes in the frequency or magnitude of brand or generic pharmaceutical price appreciation, restrictions in the amount of inventory available to us, or changes in the timing or frequency of generic launches or the introduction of brand pharmaceuticals;
- uncertainties relating to market conditions for pharmaceuticals;
- uncertainties relating to demand for our products and services;
- changes in distribution or sourcing models for pharmaceutical and medical/surgical products and services, including an increase in direct and limited distribution;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- uncertainties relating to our ability to achieve the anticipated results from the acquisition of The Harvard Drug Group;
- risks and uncertainties relating to the acquisition of Cordis, including the ability to achieve the expected synergies and positive impact to operating results and the additional risks the Cordis acquisition will subject us to relating to regulatory matters, legal proceedings, tax laws or positions and global operations, including the effects of local economic environments and currency volatility;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in state Medicaid programs, which business are subject to accreditation and quality standards and other rules and regulations, including applicable billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing or repackaging pharmaceuticals, which businesses are subject to federal and state laws that establish eligibility for reimbursement by federal and state healthcare programs;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from possible violations of healthcare fraud and abuse laws;

- risks arising from our collecting, handling and maintaining patient-identifiable healthcare information and other sensitive personal information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- our ability to maintain adequate intellectual property protections;
- costs or claims resulting from potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, patent infringement claims, *qui tam* actions or other legal proceedings;
- disruption or damage to, or failure of, our information or controls systems, including in the event that the Pharmaceutical segment's planned multi-year systems upgrade is not effectively implemented or fails to operate as intended, or a data security breach;
- disruptions to the proper functioning of our critical facilities, including our national logistics center;
- the costs, effects, timing or success of restructuring programs or plans;
- significant charges to earnings if goodwill or intangible assets become impaired;
- increased costs for commodities used in the Medical segment including various components, compounds, raw materials or energy such as oil-based resins, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the risks of counterfeit products in the supply chain;
- risks associated with volatility and disruption to the global capital and credit markets, which may adversely affect our ability to access credit, our cost of credit and the financial soundness of our customers and suppliers;
- bankruptcy, insolvency or other credit failure of a customer or supplier that has a substantial amount owed to us;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S and international laws relating to global operations;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- adverse changes in U.S. or foreign tax laws, unfavorable challenges to our tax positions and payments to settle these challenges; and
- uncertainties relating to general political, business, industry, regulatory and market conditions;
- other factors described in the "Risk Factors" section of the 2015 Form 10-K.

The words "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions generally identify "forward-looking statements," which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.